"I want to tell you that the Supreme Court verdict has come, a grand Ram temple touching the sky is going to be built in Ayodhya in 4 months"

AMIT SHAH
Union home minister

"Of the 160 companies that have been resolved, one-third of them were defunct or under (Board for Industrial and Financial Reconstruction), and balance two-third were in distress which, if not attended, would have gone to closure"

M S SAHOO
Insolvency and Bankruptcy Board of India chairperson

"A government's job is to maintain peace and harmony, deliver governance and protect the Constitution. But the BJP government has declared a war on its own people"

SONIA GANDHI
Congress president

Don't tinker with GST rates, Mitra writes to FM

West Bengal finance minister says Council should find ways to help industry tide over the present crisis

DILASHA SETH
New Delhi, 16 December

Ahead of crucial goods and services tax (GST) Council meet on Wednesday, West Bengal Finance Minister Amit Mitra in a letter to his Union counterpart Nirmala Sitharaman cautioned against tinkering with the rates, arguing that such a move would be "highly detrimental and hugely counterproductive amid stagflation".

The letter comes at a time when the revenue augmentation panel of officers are expected to give a presentation on measures to boost GST collections.

"We should not in any way tinker with the rate structure or impose any new cess at a time when the industry and consumers are going through the most distressing times with 'stagflation' knocking at our door (stagnation accompanies by growing inflation)," Mitra said.

India's GDP growth slumped to a six-year low of 4.5 per cent in the September quarter, while retail inflation shot up to a three-year high of 5.54 per cent in November.

Instead, the West Bengal FM recommended that solution of additional resource mobilisation lied not in tinkering with rate structure but in focusing on anti-evasion and fraud detection measures.

He said the GST Council should collectively find ways to provide relief to the industry so that they are able to tide over the present crisis. "This can be done through further simplification of GST processes and procedures so as to reduce the compliance cost, which in my view has gone up manifold under GST."

The agenda paper for the GST Council meeting has listed down reasons for the slowdown in collections, blaming it on frequent rate rationalisation and rates going below than the 15 per cent revenue neutral rate recommended by former chief economic adviser Arvind Subramanian.

"We should not in any way tinker with the rate structure or impose any new cess at a time when industry and consumers are going through the most distressing times with 'stagflation' knocking on our door"

AMIT MITRA
West Bengal Finance Minister

Besides, higher exemption and composition scheme limits are listed as reasons impacting revenue. The need for re-looking at GST slabs arose as the cess collection under GST has fallen short of the requirement to meet states' compensation requirements.

Mitra said the news reports on measures being discussed by the Centre had "set alarm bells ringing among the state governments, industry and common people".

The measures listed in the reports highlighted by Mitra include reviewing the list of exempted goods and services so that some of them could be taxed, increasing the GST rate from 5 per cent to 6 per cent, and imposing cess on a number of luxury items whose tax rate has been brought down from 28 per cent to 18 per cent.

"...we are very concerned about these developments," he said.

After plummeting to a 19-month low in September at ₹91,916 crore, GST collection recovered to ₹1.03 trillion in November, posting 6 per cent year-on-year growth on the back of festive demand. Despite that, collection is lower than the rate needed to meet the steep target for FY20.

Impact of GST will take time to show results: Debroy

The impact of goods and services tax (GST) on growth will take time and results will not be visible overnight, according to Bibek Debroy, chairman, Economic Advisory Council to the Prime Minister. Noting that GST is a work in progress, he said that when it was introduced, there were people who said the new indirect tax regime would lead to incremental GDP growth of 1.5-2 per cent. PTI

IN BRIEF

Low e-com penetration in S Asia holds back growth: World Bank

E-commerce penetration in South Asia remains disproportionately low as lack of intra-regional trade holds back growth potential, a World Bank report surveying 2,200 firms across the region has said. Restrictions on the current trade like tariffs, port restrictions, and other non-tariff barriers are responsible for only 40 per cent of surveyed firms opting for e-commerce. Consequently, removing regulatory and logistical challenges to e-commerce would increase their exports, employment, and productivity by as much as 20-30 per cent. The survey reaffirmed that lack of trade between countries meant that a vast majority of cross-border e-commerce was conducted with extra regional partners such as China, the UK, and the US. It pointed out that India continued to lag well behind China when it came to penetration of online sales in the overall retail pie. "You can leverage the power of big firms already present in each nation to kick start e-commerce integration. They will be happy if there's some basic rules of engagement so that the current informal part of trade can be formalized as part of a broader arrangement," Sanjay Kathuria, World Bank Lead Economist and co-author of the report said. SUBHAYAN CHAKRABORTY

'Poised to attract investments that move out of China'

Commerce and Industry Minister Piyush Goyal on Monday said India was poised to attract investments that wish to move out of China. Speaking at the India Economic Conclave 2019, he said recent tax reforms by the government would ensure investments return to India. He said the Centre was looking at pooling together land that Centre and states have got to offer to investors for starting businesses in India. PTI

Medical Devices Bill: NITI Aayog to meet stakeholders

As the Medical Devices Bill is in the works, government think tank NITI Aayog has called for an industry stakeholders meeting this week to discuss the finer prints. Among other things, the draft legislation also proposes to have a separate regulator for medical devices as well as having provisions for patient compensation in case of faulty medical devices and implants. To take the process forward a consultation meeting is planned on December 18 for key stakeholders. BS REPORTER

Market players want FM to rationalise taxes on equity

Issues relating to FPIs, AIFs, mutual fund industry figure in pre-Budget meeting

SHRIMI CHOUDHARY
New Delhi, 16 December

In the three-hour-long pre-Budget meeting with Finance Minister Nirmala Sitharaman, various stakeholders and regulators discussed rationalisation in tax rates on the equity markets, boosting the growth of certain categories of Alternative Investment Funds (AIFs), and alleviating the stress in the mutual funds industry.

Various concerns were raised in the meeting, which focussed on regaining confidence of domestic and foreign investors in the India's capital market story, said two people in the know.

Sources said the government has sought opinion on the tax rates on equity products and also whether it is feasible to exempt Long-Term Capital Gains (LTCG) tax on securities held for over three years. Further, the ministry tried to understand how to mitigate the issues around other categories of funds such as infrastructure, social venture, venture capital and SME Funds, and how to make instruments such as Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) more attractive by doing away complexities.

Some of the key issues that were discussed include measures to woo foreign portfolio investors (FPIs) and help stressed non-banking finance companies, one of the persons said. Sources said capital market stakeholders have submitted their views on the different rates of LTCG, Securities Transaction Tax and Commodity Transaction Tax. The group of senior officials said that rationalisation of the tax rates is required as it could remove uncertainty and ambiguity among investors.

Certain valuation and outgo regarding equity-taxes has been asked to be submitted by the department concerned, said one of the two persons quoted earlier.

"The equity market requires a confidence booster package to attract and incentivise investors for holding the investment for the long-term, so as to attract conventional investors who invest in other asset class," said a stock exchange official.

The government and regulators have had a few rounds of discussions over the taxation system for share markets in the past few months. Some of the officials were also of opinion that Dividend Distribution Tax is also among factors that act as a hindrance to the inflows of foreign investment in the country.

At present, there are six assets class and all have different periods of holding to classify as short-term and long-term that draw different tax rates. However, the government is thinking if it is possible to have a uniform tax rate for all the asset classes. The LTCG tax was reintroduced on listed shares in 2018-19 after a gap of 14 years. It is levied at the rate of 10 per cent on a gain of more than ₹1 lakh realised from share sales. Long-term means shares sold after one year of holding.

To ease tax compliance for investors infusing money in various asset classes, the task force on direct tax legislation suggested three broad categories: Financial equity, financial non-equity, and others (including property, gold and so on). Financial equity will contain all kind of shares. Non-equity will have debt funds as bonds, debentures and so on. The third section will have remaining asset classes.

With a view to give boost to the markets, the representatives of capital markets submitted several suggestions concerning risk capital issues, AIFs, mutual funds, commercial papers and standardisation of bond features, according to a statement by the finance ministry.

Banks, NBFCs make suggestions on taxation, certification, credit growth

Finance Minister Nirmala Sitharaman on Monday met leaders from banking, mutual fund, insurance and non-banking financial companies (NBFCs) as part of annual pre-Union Budget consultation exercise.

After the meeting, SBI Chairman Rajnish Kumar said: "The group has made suggestions about taxation, certification, improving credit growth and increasing of financial market sufficiency."

Sources, who attended the meeting, said some bankers suggested that the government, after the consolidation drive for public sector banks (PSBs) concludes, not worry about the top six in the segment; rather, it should focus on the remaining six. "Some bankers are of the opinion that the government should dilute its stake to less than 50 per cent in the seventh, eighth and ninth bank in the pecking order. This dilution should be at the market rate. For the last three PSBs, the government should run these under a public-private partnership (PPP) model," said a senior banker. NIDHI RAI

IT industry for 15% corporate tax rate for firms in SEZs

NEHA ALAWADHI
New Delhi, 16 December

Rationalisation of goods and services tax (GST), 15 per cent corporate tax rate for services companies in special economic zones (SEZs), and relaxation for start-ups from some existing tax rates were some of the demands of information technology (IT) firms and start-ups at a pre-Budget discussion with the Finance Ministry on Monday.

RUN-UP TO THE BUDGET 2020-21

IT and business process management (IT-BPM) industry body, the National Association of Software and Services Companies (Nasscom), said the 15 per cent corporate tax, currently applicable to new manufacturing companies in SEZs, should be extended to new services firms.

"This will achieve the outcome of all new manufacturing and services companies in SEZ availing a 15 per cent tax rate. This measure will have a very limited fiscal impact but will provide impetus to companies to invest," Nasscom said in its submission to the government.

The meeting on Monday, chaired by Finance Minister Nirmala Sitharaman, included representatives from industry bodies, Apple, Reliance Jio, Paytm, and Uber to invite feedback on "Digital Economy, Fintech and Start-ups". The discussion lasted for over two hours.

The sunset clause for SEZ nearing — March 31, 2020 — and the IT industry has been a big beneficiary of the policy. A government-appointed committee made the case for continuing with SEZ earlier. Nasscom reiterated that "steps are needed to ensure SEZ continues to attract investment and contributes to exports and employment generation. Hence, there is a compelling case to extend the existing tax holidays for another five years".

The industry body has also asked the government to defer tax liability on grant of Employee Stock Option Plans (ESOP) in start-ups to the time of sale of the shares, instead of when the employee exercises the stock options.

The industry body asked the government to defer tax liability on grant of ESOPs in start-ups to the time of sale of the shares

Nasscom asked for creation of a deep tech investment fund of ₹3,000 crore for deep tech start-ups over the next five years. It also suggested that the taxation regime for the digital economy be eased, including extending tax credit under the equalisation levy to foreign companies in the home country, and ease reporting and compliance requirements under the place of effective management concept.

Rajat Tandon, president of Indian Private Equity and Venture Capital Association (IVCA), who was present at the meeting, asked for zero rating of services provided to alternative investment funds.

15th FC treating J&K like any other UT: NK Singh

ARUP ROYCHOUDHURY
New Delhi, 16 December

The Fifteenth Finance Commission has treated Jammu & Kashmir like any other Union Territory, and at least for 2020-21 it will get funds out of the Centre's share of the divisible tax pool, the Commission's Chairman NK Singh (*pictured*) said on Monday.

This is a different stance from what the Jammu and Kashmir Reorganization Act had sought from the Commission. The Centre, through the Act, had wanted the Union Territory to be given a special provision and provided with funds out of the divisible pool like any other state, while Ladakh was to be treated like any other UT and given funds out of the Centre's share of the divisible pool.

"We have treated it (J&K) as a Union Territory. How can you treat a UT to be anything other than a UT?" Singh said during a media interaction. The interaction came after members of the Commission met representatives of its economic advisory council.

"We did a modelling for 28 states and not 29 states. India is now a union of 28 states, and has two new Union Territories. Constitutionally, there would be an infirmity on non-states getting devolution," Singh said.

The J&K Reorganization Act states: "The President shall make a reference to the Fifteenth Finance Commission to include the Union territory of Jammu and Kashmir in its Terms of Reference and make award for the successor Union territory of Jammu and Kashmir." Finance Commissions don't consider Union Territories for devolution of funds, only states. This paragraph in the Act means that the 15th Commission was to consider J&K like any other state.

State-run banks, NBFCs tilt towards green energy projects

The second of a three-part series on credit pick-up looks at renewable energy sector, which is facing issues like cancellation of projects and grid curtailment

SHREYA JAI
New Delhi, 16 December

Banks have been wary of lending to the renewable energy sector, owing to the ₹2 trillion worth of non-performing assets (NPAs) in the conventional power sector. But it seems the tide is turning.

Experts said factors such as one-time capital investment, steady returns and slowdown in the conventional energy space have made green energy a preferred choice for public sector banks (PSBs) and non-banking financial companies (NBFCs). The renewable energy sector needs close to $550 billion investment to meet India's target of achieving 40 per cent of its energy requirement from clean energy sources by 2030. And financial institutions are now designing separate and unique products to attract large projects in the sector.

GREEN SHOOTS IN RENEWAL
PART-II

State Bank of India's annual report for 2018-19 states that as on March 31, 2019, its sanctioned portfolio in renewable energy rose by 21.37 per cent from the previous reporting period. Its in-house renewable capex also increased by 28 per cent over the same period.

As of March 31, 2019, 656 renewable energy projects, totalling 12,334 MW, have been completed. SBI has sanctioned ₹29,821 crore for these projects and the current outstanding loan is ₹16,827 crore. It has also set up a Neev fund, which will focus on newer areas, including clean energy.

Among the private banks, YES Bank has sanctioned credit for renewable power projects with a total capacity of 2,705 MW. "The bank is an associate organisation that supports the International Solar Alliance (ISA). In FY 2017-18, the bank committed to mobilise $1 billion till 2023 and $5 billion till 2030 toward financing solar energy projects in India," YES Bank said in its annual report.

However, most major banks continue to avoid renewable energy, say experts. "Most banks, including PSBs, are extremely cautious on the renewable energy sector. Other than government financial institutions such as PFC, REC and IREDA, there is a dearth of active lenders in the sector, leading to a scarcity of options for debt financing," said Vinay Rustogi, managing director, Bridge To India, which works in the renewable energy sector.

The ministry of new and renewable energy (MNRE) recently asked the finance ministry to come up with separate funding streams and financing regulations for the sector. MNRE has written to the Reserve Bank of India, asking for the removal of the cap of ₹15 crore from the lending norms of the sector. The move is in line with the latest change in the bidding regime, under which large projects will be offered.

In an industry-government dialogue held earlier this year, top executives in the sector had told the government that financing, shortage of investment capital and the risk of NPAs stand in the way of the growth of renewables in the country. Wind power, too, needs domestic financing as it faces regulatory challenges and, hence, has seen a drop in foreign investment.

To address the challenge of accessing initial capital requirement, MNRE has urged leading financiers such as the Power Finance Corporation (PFC), Indian Renewable Development Agency (IREDA) and Rural Electrification Corporation (REC) to design specialised lending schemes for the renewable sector.

Currently, IREDA is the only dedicated financing body for renewable energy. However, in its Annual Report 2017-18, IREDA said it finds itself "constrained to fund capacities of 500 MW and above".

PFC ventured into the renewable sector with separate lending schemes in 2017. The company reported a 260 per cent growth in loan disbursement to the sector during 2018-19. It also lowered its lending rates in the range of 9.5-11 per cent for renewable energy projects.

IN NUMBERS

$550 billion: Investment expectation for renewable energy sector by 2030

₹298 billion: SBI's sanctioned loan to renewable sector during 2018-19

$5 billion: YES Bank's commitment for fund mobilisation by 2030

260% growth: In PFC's renewable funding portfolio during 2017-2019

$2.5 billion: Fund raised via green bonds during 2019-20

Even so, uncertainty over project awards and challenges such as the safeguard duty on imported solar equipment and cancellation of projects by states could keep investors at bay.

In the past, the major investment in renewable energy projects has come from private equity/venture capital funds, including such marquee names as Goldman Sachs, ADIA, CPPIB and so on. But this has slowed down now. In its latest report, Mercom Research said that during Q3 2019, investments in the Indian solar sector were 11 per cent lower compared to investments made in Q2 2019.

"The situation has got worse over the last year due to DISCOM payment delays, land and transmission constraints, PPA renegotiation, multiple instances of tender cancellation and under-subscription, grid curtailment etc." said Rustogi.

Therefore, project developers are looking at other options such as green bonds and offshore debt from international banks and financial institutions "In the last six months, companies have raised about $2.5 billion through green bonds. But that option is restricted to a small number of the larger developers," Rustogi said.

In Andhra Pradesh, close to ₹25,000 crore of lenders' exposure stands at risk because the state government has cancelled all previously allocated projects. "While the sector is emerging as a preferred investment, it still has a long way to go before it gains lenders' confidence," said a senior sector executive.