

18 ECONOMY

‘MERGER OF 12% AND 18% SLABS CANNOT HAPPEN IMMEDIATELY’

No GST rate hike in near future, rate tweaks only once a year: Bihar FM

ENS ECONOMIC BUREAU
NEW DELHI, DECEMBER 21

THERE WOULD be no hike in Goods and Services Tax (GST) rates or any merger of tax slabs in the near future amid the ongoing economic slowdown, Bihar's Deputy Chief Minister and Finance Minister Sushil Kumar Modi, adding that more measures to boost compliance such as new returns system, Aadhaar authentication of GST registrants would be undertaken in the coming days.

Modi further said that at a time when the country's economic growth is slowing, states need to consider having a lower rate than the current 14 per cent guaranteed growth rate for compensation payouts.

"I want to assure you that not a single state including the Union Government is ready to raise the tax rates. In times of economic

‘MORE MEASURES TO BOOST COMPLIANCE’

■ The GST Council in its last meeting has decided to tweak rates only once a year, said Bihar Deputy Chief Minister and Finance Minister Sushil Kumar Modi, adding that more measures to boost compliance such as new returns system having invoice matching, Aadhaar authentication of GST registrants would be undertaken in the coming days

■ Modi further said that at a time when the country's economic growth is slowing, states need to consider having a lower rate than the current 14 per cent guaranteed growth rate for compensation payouts

■ He said compared to the pre-GST period, 99 per cent of the goods and services have less taxes levied on them post-GST

slowdown, you cut tax rates, you do not increase tax rates. To give stimulus, to increase consumption, taxes and duties are cut, not increased ... in the near future, no rate increase or decrease will happen till revenue stabilises," Modi said while speaking at FICCI's 92nd Annual Convention titled 'India: Roadmap to a \$5 Trillion Economy'.

He said merger of 12 per cent and 18 per cent slabs cannot happen immediately, as it will lead to loss of revenues, which are crucial for carrying out developmental work. "60.6 per cent of the revenues under GST comes from the 18 per cent slab and 11.4 per cent revenues from 12 per cent slab. If it is merged with 12 per cent slab, then our revenues

won't be protected," Modi said, adding that ultimately though the Council will have to consider a less than five rate GST structure, but not in this fiscal year or even immediate future.

On compensation, he said, "India's growth is going to be 5-6 per cent, inflation at 4-5 per cent, don't think any Union government can provide compensation at 14 per cent annualised rate. The average growth rate for taxes subsumed under GST for states in the three years preceding GST was 8.9 per cent," he said.

Modi said compared to the pre-GST period, 99 per cent of the goods and services have less taxes levied on them post-GST, adding that the Council has cut rates for 422 goods and 80 services so far.

However, he said that fake invoices has become a major issue and the government is looking for ways to check the menace. Since the GST's roll-out in July 2017, fake invoicing scams worth Rs 44,466 crore have been detected, he said.

The tax authorities will now authenticate registration with Aadhaar for both existing as well as new registrants under GST. Modi said steps are being taken to verify the registrations, some of which have resulted in cancellation of about 18 lakh registrations last week. "Around 18 lakh registrations were cancelled, some were fake, some were not filing returns. In the coming days, Aadhaar will be used to authenticate registration not only for new registrants but also for existing registrants. Also, physical verification would be carried out," he said.

As of now, there are 1.2 crore taxpayers under GST, of which nearly 50 per cent of the registrants made the transition from pre-GST period, while more than 60 lakh taxpayers have taken new registration.

He also highlighted that the new returns system, proposed to be rolled out from April 1, will help in boosting revenues through the system's in-built input tax credit matching feature.

BRIEFLY

‘Religion not required for KYC, bank accounts’

New Delhi: Finance Secretary Rajiv Kumar Saturday denied the “baseless rumours” that Indian citizens need to declare their religion for opening of bank accounts and KYC purpose. The clarification comes after a news report suggested that Indian banks may ask depositors and customers to list their religion. “There is no requirement for #Indian citizens to declare their religion for opening/ existing #Bank account or for #KYC. Do not fall for baseless rumours about any such move by banks,” Kumar tweeted.

Govt taking steps to address issues: SAIL chairman

New Delhi: The domestic steel sector is facing challenges in form of high input costs and unavailability of coking coal in the country, SAIL chairman A K Chaudhary said Saturday, and conveyed the Centre is aware of the issues and taking appropriate measures to resolve them. PTI

US won't levy tariffs on Brazil steel: Trump

Sao Paulo: Brazilian President Jair Bolsonaro said on Friday that US President Donald Trump told him in a telephone conversation that his administration will not levy new tariffs on Brazilian steel and aluminum as threatened earlier this month. REUTERS

Banking industry's NPA situation to improve by fiscal-end: SBI chairman

PRESSTRUST OF INDIA
NEW DELHI, DECEMBER 21

SBI CHAIRMAN Rajnish Kumar on Saturday nudged the industry to enrich their borrowing capacity so as to boost investment in the economy, asserting there is no dearth of funds and most of the banks will be in a better position by March-end as far as stressed assets and non-performing loans were concerned.

He also said State Bank of India (SBI) is underutilising its loan sanction limits as there is not enough credit demand from the industry.

"If India has to achieve its goal of \$5 trillion economy then it cannot happen unless there is investment in the economy. Today the outstanding banking credit is Rs 96 lakh crore. So for a \$5 trillion economy, we would at least need

to double it," Kumar said at the 92nd Annual Convention of industry body FICCI here.

He added there is an adequate availability of funds with the banking system. He also said the industry keeps complaining that banks are not lending and lenders are saying that "we are ready with funds, you are not borrowing".

Talking about reforms such as the Insolvency and Bankruptcy Code, Kumar said in the current scenario there is ample liquidity available and the recent judgment by the Supreme Court on Essar Steel will matter a lot.

"Many large ticket stressed assets are getting resolved and by March 31, we are going to be in a very good position as far as most of the banks are concerned where at least the NPA ratio and stressed assets hopefully will come down," he said.

India Inc leaders come together to discuss road map for \$5-tn economy

PRESSTRUST OF INDIA
NEW DELHI, DECEMBER 21

From policy stability to emphasis on exports of local goods, key industry players Saturday discussed and suggested measures for making India a \$5-trillion economy.

SAIL Chairman Anil Kumar Chaudhary, ITC Chairman and Managing Director Sanjiv Puri, Cadila Healthcare Chairman Pankaj R Patel, Bharti Enterprises Vice Chairman Rajan Bharti Mittal and JK Paper Vice Chairman and Managing Director Harsh Pati Singhania took part in the discussion during a session on 'India: Roadmap to a \$5 Trillion Economy' organised by FICCI.

The executives stressed on the need for Indian manufacturing to become globally competitive and join global value chain as the key

ingredients for becoming a \$5 trillion economy.

"If we have to reach the level of \$5 trillion economy by the next five years, we have to be globally competitive. India also needs to increase its exports of steel and other manufactured items," SAIL Chairman Chaudhary said.

Bharti Enterprises' Rajan Mittal suggested that the government should focus on strengthening the digital backbone of the country. Industry has been disrupted, he said, adding that government's intervention is needed. ITC CMD Puri said that "farming is a large employer. Lots of jobs were created in the post-harvest management".

"Even the food processing segment has the largest employment to capital ratio. We need to plug into the global value chains in value-added agricultural products," he added.

Fiat Chrysler, Peugeot tie-up: How does it work?

Fiat Chrysler and Peugeot maker PSA are pushing ahead with a planned merger worth about \$50 billion aimed at creating the world's No. 4 carmaker. Following are key details of the deal:

TIMELINE: Fiat Chrysler Automobiles (FCA) and PSA aim to complete the deal in 12-15 months after signing a binding deal Wednesday

8.7 million: The combined automaker would have annual sales of 8.7 million vehicles, employ about 4,00,000 people, and generate recurring operating profit of more than 11 billion euros, based on aggregated 2018 results

TOP MANAGEMENT: PSA CEO Carlos Tavares will be group CEO with a five-year term. FCA Chairman John Elkann will be chairman

11 board members in the merged entity



3.7 billion euros: The merger, once completed, is expected to generate 3.7 billion euros in annual synergies

HOW WILL THE DEAL WORK?
■ Prior to completion of the deal, FCA would pay its

shareholders a 5.5 billion euro special dividend while Peugeot would distribute to its shareholders its 46% stake, worth about 3.2 billion euros, in auto parts maker Faurecia
■ China's Dongfeng Motor will reduce its 12.2% stake in PSA by selling 30.7 million

shares to the French firm. It will have 4.5% of the group
■ Major shareholders Exor, French state bank Bpifrance Participations and the Peugeot family would be subject to a three-year lock-up period

■ A seven-year standstill period following completion of the merger, when extraordinary operations affecting governance cannot be carried out, would apply to Exor, Bpifrance Participations, DFG and the Peugeot family
■ Exor, the holding company of the Agnelli family which controls FCA with a 29.2% stake, will become the new automaker's single largest investor, with a 14.5% stake

Source: Reuters

CRUDE WATCH

OIL PRICES LOG THIRD WEEKLY RISE

New York: Oil prices fell on Friday, but both benchmarks logged a third straight weekly gain amid the easing of US-Chinese trade tension, which has boosted business confidence and the outlook for global economic growth. REUTERS

RBI goes for ‘Operation Twist’ to bring down long-term rates

GEORGE MATHEW
MUMBAI, DECEMBER 21

ON DECEMBER 19, the Reserve Bank of India decided to conduct its version of 'Operation Twist' through simultaneous purchase and sale of government securities under Open Market Operations (OMOs) for Rs 10,000 crore each on December 23. Operation Twist is the name given to a US Federal Reserve monetary policy operation, which involves the purchase and sale of government securities to boost the economy by bringing down long-term interest rates.

Why Operation Twist now?

The RBI slashed key interest rate — repo rate — by 135 points to 5.15 per cent this year but banks passed on only part of it. The one-year median marginal cost of funds based lending rate (MCLR) has declined only 49 basis points (bps). Operation Twist normally leads to lower longer-term yields, which will help boost the economy by making loans less expensive for those looking to buy homes, cars and finance projects, while saving becomes less desirable because it doesn't pay as much interest. The RBI says the decision follows "a review of the current liquidity and market situation and an assessment of the evolving financial conditions". The central bank is keen that long-term rates are brought down to kickstart investment and revive the economy. The idea is that business investment and housing demand were primarily determined by longer-term interest rates.

What the RBI plans on

Jaypee loses Formula 1 circuit land

PRESS TRUST OF INDIA
NOIDA, DECEMBER 21

THE YAMUNA Expressway Authority on Saturday cancelled the allotment of 1,000 hectares of land to Jaypee group, on which India's only Formula One motor racing circuit is built in Greater Noida, over non-payment of dues, officials said. The decision was taken by the Yamuna Expressway Industrial Development Authority (YEIDA) during its 66th Board meeting.

"A thousand hectare land was allotted to Jaypee Sports Limited, an affiliate of Jaypee group, in YEIDA's special economic zone. Jaypee Sports Limited has been defaulting on payments to YEIDA and not completing projects promised to buyers," YEIDA CEO Arunvir Singh said. The embattled business group defaulted on payments of over ₹500 crore, he added.

The Jaypee group had sub-leased plots to 11 builders on the allocated land and separately had taken around ₹2,000 crore from homebuyers in 10 projects but not delivered it, he said.

"So, in light of the violation of lease deeds, it was decided during the board meeting that the land allotment be cancelled," Singh said.

However, the authority said modalities are being worked out to safeguard the interests of third parties and homebuyers who had invested in projects on this land parcel.

December 23?

The central bank has decided to purchase Rs 10,000 crore worth of one security — the 6.45 per cent GS 2029. This is a long term 10-year bond. On the sell side, it has proposed to sell four securities for a total of Rs 10,000 crore — 6.65 per cent GS 2020, 7.80 per cent GS 2020, 8.27 per cent GS 2020 and 8.12 per cent GS 2020. All these four securities are short term, and maturing in 2020. When the RBI purchases 6.45 per cent bond on December 23, demand is expected to rise, leading to lower long-term yield. On the other hand, sale of short-term securities will push up the short-term rate. However, bankers say 'Operation Twist' is likely to put an end to the interest rate cut expectations. "It's a signal of the RBI displeasure on Treasury Bill yield curve trending below the repo rate and its willingness to absorb the government's supply at a time when the investors' appetite is low in long duration," said a banker.

The US experience.

In 1961, the John F Kennedy administration proposed a solution to revive the weak economy through lower longer-term interest rates while keeping short-term interest rates unchanged — an initiative now known as 'Operation Twist' in homage to the Chubby Checker song and the dance then sweeping the nation. The US Fed employed the policy. The Fed then implemented the 'Operation Twist' programme in late 2011 and 2012 to stimulate the economy hit by the global fi-

nancial crisis. The first programme was from September 2011 through June 2012 and involved the redeployment of \$400 billion in Fed assets. The second ran from July 2012 through December 2012 and encompassed a total of \$267 billion in response to continued sluggish growth in the US economy. In December 2012, the Fed ended the programme and replaced it with another policy of "quantitative easing", which seeks to lower long-term rates by making open-market purchases of longer-dated Treasuries and mortgage-backed securities.



What are Open Market Operations?

The RBI manages and controls the liquidity, rupee strength and monetary management through pur-

chase and sale of government securities (G-Secs) in a monetary tool called Open market Operations. OMOs are the market operations conducted by the RBI by way of sale and purchase of G-Secs to and from the market with an objective to adjust the rupee liquidity conditions in the market on a durable basis. When the RBI feels that there is excess liquidity in the market, it resorts to sale of securities thereby sucking out the rupee liquidity. Similarly, when the liquidity conditions are tight, the RBI may buy securities from the market, thereby releasing liquidity into the market. On Friday, the yield on 10-year benchmark bonds fell by 13 bps to 6.60 per cent, following the RBI announcement.

Delhi HC asks RIL, British Gas to disclose assets on Centre plea

PRESS TRUST OF INDIA
NEW DELHI, DECEMBER 21

THE DELHI High Court has asked Reliance Industries Ltd (RIL) and British Gas (BG) to disclose their assets on the central government's plea for directions to both companies not to dispose of their assets.

The government has sought to restrain the two companies from disposing of their assets as they have allegedly failed to pay it \$3,856,734,582 as per an arbitral award in favour of the Centre in relation to the Panna-Mukta and Tapti (PMT) production-sharing contracts.

Justice J R Midha has directed the two companies to file an affidavit of their assets in accordance with the new format of form 16A under the Civil Procedure Code (CPC) that the high court has drafted in a recent judgment.

Earlier, on November 22, the high court directed the two companies to file their affidavits of assets in form 16A of CPC and had listed the matter for compliance on December 20.

On December 20, the court directed the companies to file the affidavits according to the new format of form 16A.

The direction had come on the government's application to restrain the two companies from disposing of their assets.

The application was filed in a petition moved by the government for execution of the

THE CASE IN DETAIL

■ The government has sought to restrain the two companies from disposing of their assets as they have allegedly failed to pay it \$3,856,734,582 as per an arbitral award in favour of the Centre in relation to the Panna-Mukta and Tapti (PMT) production-sharing contracts

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arbitral award in its favour.

The Centre in its application, moved through central government standing counsel Anurag Ahluwalia, has alleged that RIL is under a huge group debt and it was in the process of selling or transferring or alienating its assets and creating third-party interest in the movable and immovable properties to cover its liabilities.

It has said in the application that if RIL liquidates its assets and properties, there would be nothing left for the government to execute the arbitral award.

US TRANSPORTATION SECRETARY SAYS WHITE HOUSE HASN'T PRESSURED FAA TO SPEED UP ITS REVIEW

‘Economic issues not a factor in 737 MAX’s safety review’

REUTERS
WASHINGTON, DECEMBER 21

THE ECONOMIC impact of Boeing Co's planned halt of 737 MAX production will not be considered by US regulators in their ongoing review of when to end the grounding of a plane involved in two major fatal crashes, US Transportation Secretary Elaine Chao said on Friday.

In an interview with Reuters, Chao said the White House has not pressured the Federal Aviation Administration (FAA) to speed up its review. Chao also said the White House Council of Economic Advisers had con-



Grounded Boeing 737 MAX aircraft at Boeing Field, Seattle. The 737 MAX has been grounded worldwide since March after two crashes in Indonesia and Ethiopia. Reuters file photo

ducted a study of the economic impact of the grounding, which

forced Boeing — a critical American manufacturing com-

pany — to halt deliveries in March, and assessed that it would cause around a 0.4 per cent reduction in US gross domestic product.

"Regardless as to what the impact on GDP is, our responsibility is to ensure that the 737 MAX must be safe before it is ungrounded," Chao said, adding that "my job is protect" FAA from any pressure the agency might face.

The 737 MAX has been grounded worldwide since March after two crashes involving Boeing's fastest-selling jet in Indonesia and Ethiopia killed 346 people within five months, costing the plane manufacturer more than \$9 billion so far.

On Friday, United Airlines said

it is extending cancellations of Boeing 737 MAX flights from early March until June. United's announcement is the longest that any US carrier has scheduled for the grounded aircraft, after American Airlines and Southwest Airlines Co cancelled flights into early April.

Chao said her directive to FAA Administrator Steve Dickson is clear: "ensure that he finds out what happened, correct the problem and do not unground until FAA feels that it is safe."

President Donald Trump, who has touted the strength of the US economy as he seeks re-election in 2020, called Boeing Chief Executive Dennis Muilenburg on

Sunday to ask about the status of 737 MAX production, confirmed people briefed on the matter.

Muilenburg assured Trump that the planned production halt was temporary and that the company would not be laying off any workers, the sources said. The production halt, set to begin in January, was announced by Boeing on Monday.

Reuters reported this week the FAA is not expected to end the grounding until at least February.

Boeing said on Friday it continues "to follow the lead of the FAA and global regulators, as they will determine the timeline for certification so the MAX can safely return to service."