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‘IN THE ENTHUSIASM TO REDUCE TAXES ... GST STRUCTURE WAS DISTORTED’

Personal income-tax rate cut being considered among many things: FM

ENS ECONOMIC BUREAU
NEW DELHI, DECEMBER 7

THE GOVERNMENT is working on more measures to improve consumption demand and support economic growth, Finance Minister Nirmala Sitharaman said on Saturday. A cut in personal income-tax rate is among the many things being considered by the government, she said.

On the ongoing issue of delayed compensation payments to states under the Goods and Services Tax (GST) regime, Sitharaman said the cess collected was inadequate to give a compensation of 14 per cent -to the states but "will honour GST compensation to states".

"So there are ways for giving stimulus for consumption. We are adopting a direct method and also the method through which we are spending on infrastructure, whose spillover can go to core industries, labour and so on," she said at the Hindustan Times Leadership Summit 2019.

When asked if the government is considering personal in-

EXPLAINED Eye on boosting consumption demand

THE GOVERNMENT is considering measures to revive the flagging economic growth. Many options such as personal income-tax cuts and giving stimulus, even if it requires digression from the fiscal glide path, are being discussed by the government.

Boosting consumption demand, either directly or indirectly, would be a crucial factor to arrest the slide in economic growth at a time when the GDP growth slowed to an over six-year low in the second quarter of this fiscal year.

come-tax rate cut for putting more money in the hands of people, the Finance Minister said: "One among the many things that we are thinking of." When asked specifically if there would be some action on this front in the Budget, she said, "you will have to wait for the Budget."

When asked about fiscal discipline, she said it's a law and the government has to obey it but there's also a view of learned

economists who are "telling us to love towards funding and give more stimulus", adding that everything is being discussed.

She also said the public sector banks have disbursed nearly Rs 5 lakh crore without compromising on prudential norms in the last two months to boost consumption in the hinterland. Asked if there could be more measures announced to bolster economic activity, she said, "If I

say yes, it will be when and if I say yes it's also going to be back to me saying are you not too close to the budget. So I don't want to say yes although I am wishing I can say. At the same time, I will not say no, because we are working on more."

GDP growth slowed to a 26-quarter low of 4.5 per cent in the second quarter, primarily due to contraction in manufacturing and weak private investment and consumption demand. Following the reduction in corporate tax rate in September, there has been a growing demand for a cut in the personal income-tax rates to give more money in the hands of people and boost consumption demand.

On the low consumer and business confidence in the country, Sitharaman said the intent of the government is to further simplify taxation systems including removal of exemptions. She said the government has already adopted faceless assessment for direct tax, which will soon be applied to more procedures and is being tried for indirect taxes as well.

The Finance Minister said the

GST structure has been distorted due to successive rate cuts. "At the end of the day, the intentions were good...(tax rates) kept reducing, kept reducing. Now reduction per se is not bad...I am not saying that people did it thoughtlessly, but in the enthusiasm to reduce taxes, that framework which was originally agreed at stage one of GST was distorted," she said.

Eventually, the rates have to be rationalised and the entire tax system has to be simplified, she added. "One, the tax per se, is getting complicated because you want to be sure that you're doing everything correct, but ending up asking for so much more information in a technology-driven system. People just get fed up of wanting to give so much information. So, we have problems in both hands," she said.

She said the original intent was to have three rates under GST: merit, sin and the standard, but refrained from commenting on rate hike decision, saying the decision lies with the GST Council.

GEORGE MATHEW
MUMBAI, DECEMBER 7

WITH THE rising incidences of natural disasters in the country, the Insurance Regulatory and Development Authority of India (Irdai) is working on a plan to launch government-funded catastrophe (cat) cover for the poor sections of the society.

Irdai has written to the Centre, seeking its approval for the project, a senior Irdai official said.

After getting the government approval, the regulator will launch the cat cover in select states as a pilot project, he said.

In India, uninsured losses from all catastrophes and man-made disasters were 84 per cent of the total losses in recent times.

Though the severe flash floods in Chennai in 2015 were the largest disaster, causing estimated economic losses of \$2.2 billion, insured losses were estimated at around \$755 million — making these floods the second costliest insurance event in India and a large part of the losses originated from commercial lines.

The event highlighted the vulnerability of rapidly growing urban areas to flash floods caused by heavy rain. The crop insurance scheme launched by the government has aided the farmers to a great extent in the past two years.

At present, the central government and the state governments are compensating for the huge losses in natural disasters to the extent they can, creating deep holes in the pockets of public finance. After being hit by massive floods that led to over Rs 25,000 crore of economic losses, the Kerala government had invited state owned GIC Re and the second largest global reinsurer Swiss Re to sug-

gest insurance solutions as part of disaster management. However, this initiative did not make any progress, sources said.

Further, instances like high-rise fires in Mumbai and other parts of India serve as grim reminders of potential catastrophic consequences for the government and society. Such disasters have the potential to put enormous stress on the financial resources of state governments that are overburdened.

Insurance experts say most of the losses suffered in natural disasters are not insured, for reasons such as lack of purchasing power, lack of interest in insurance and ignorance of availability of such covers. Some insurance companies including joint ventures with foreign insurers are providing catastrophic covers implying that the commercial and private sector can also play an essential role in disaster mitigation with the right incentives.

The proposal for an insurance catastrophe pool (INICIP), which would have mitigated the sufferings of people, proposed some years ago was stuck with the government with no decision taken about charging of premium and the complex issue of implementing the scheme across the country. After Cyclone Nilam hit Tamil Nadu in 2012, the insurance indus-

CUTTING DOWN UNINSURED LOSSES

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try and the Finance Ministry joined hands to set up an exclusive catastrophe pool to cover the losses that occur in natural disasters. As per the proposal, there should be a standalone policy — with a minimum cover of Rs 1 lakh — covering all natural catastrophe perils with the benefit of cover going to those or their kin who are directly affected by the disaster.

The plan which was developed with the active involvement of National Disaster Management Authority and GIC Re was stuck over administrative issues, said an official. Insurance officials said state government buildings are not insured and funds from the exchequer are used to repair losses due to fire or floods.

Through the initiatives of the central government like Pradhan Mantri Fasal Bima Yojana (PMFBY), Ayushman Bharat, Pradhan Mantri Jan Dhan Yojana (PMJDY), insurance is being used as a social security and social empowerment tool to reduce the financial burden for the government through effective risk transfer solutions. A similar measure as part of the country's strategy towards disaster management can bring about enormous benefits to the citizens and the government, said an insurance official.

BRIEFLY

Voda Idea, Airtel remove cap on free outgoing calls

New Delhi: Bharti Airtel and Vodafone Idea have removed cap from free outgoing calls on other networks under new plans for pre-paid customers that came into effect from December 3. Both the companies had earlier capped outgoing calls to network of other telecom operators at 1,000 minutes in plan with 28-days validity, 3,000 minutes in 84-days validity and 12,000 in 365 days validity plan.

NTPC signs term loan of ₹5K cr with SBI

New Delhi: Power generation company NTPC on Saturday said it has signed a term loan agreement for Rs 5,000 crore was signed with State Bank of India.

‘Startups will be key to becoming \$5 tn economy’

New Delhi: Startups are going to play a major role to make India a \$5 trillion economy, former Union minister and BJP MP Suresh Prabhu said on Saturday. PTI

US FAA seeks \$3.9-mn fine from Boeing

Washington: The US Federal Aviation Administration said on Friday it seeks to impose a \$3.9 million fine on Boeing Co, alleging it failed to prevent the installation of defective parts on about 130 737 NG airplanes. REUTERS

I-T dept conducts search operations on stock brokers, traders across country

ENS ECONOMIC BUREAU
NEW DELHI, DECEMBER 7

IN A search and survey operation spread across 39 locations against stock brokers/traders for generating artificial profits/losses through illiquid stock options in equity and derivatives markets, the Income-tax Department has seized unaccounted cash worth Rs 1.20 crore.

The Department in a statement on Saturday said it estimated the trade in illiquid stock options by such stock brokers/traders to have resulted in artificial losses/profits to the tune of Rs 3,500 crore by executing reversal trades within a very short span of time.

The Income-tax department has also identified at least three penny stocks listed on the BSE, where "the manipulated profits

UNACCOUNTED CASH WORTH ₹1.2 CR SEIZED

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utilised by the beneficiaries aggregate to around Rs 2,000 crore".

"The number of beneficiaries who have been benefitted by these manipulated transactions could be to the tune of a few thousand scattered across India and efforts are being made to identify them as also the corresponding quantum of income

evaded. Incriminating evidence recovered during the course of actions is also being examined for determination of contravention of the various direct tax laws," the tax department said.

The Income-tax Department has carried out search operations on certain share-brokers and traders for allegedly executing fraudulent trades in illiquid stock

Alphabet's ‘Other bets’ in focus as Pichai takes helm

Google CEO Sundar Pichai has been named CEO of parent Alphabet. To grow beyond its main search and advertising business, Google restructured in 2015 and established Alphabet as a holding company overseeing various "other bets". Below are some of those projects

WAYMO Begun as Google's self-driving car project, Waymo has become one of the most advanced autonomous vehicle technology firms

LOON aims to bring connectivity to remote parts of the world by floating solar-powered networking gear over areas where cell towers would be too expensive to build

WING AVIATION Wing is Alphabet's delivery service using specialised drones, beginning commercial air delivery services this year in Canberra, Australia, and Helsinki



MAKANI TECHNOLOGIES Makani attempts to harness renewable energy from wind by using propellers on airborne kites to generate electricity

VERILY is Alphabet's life

science tech unit that works on machine learning and wearable devices for healthcare scenarios

SIDEWALK LABS provides sensor-based urban technology to manage

PROJECT 'X'

X, known as Alphabet's "Moonshot Factory", is a research and development unit that acts as a nursery for the company's many offshoot projects, such as Waymo, Wing, Makani and Loon

crowds and vehicular traffic

CAPITALG CapitalG, formerly Google Capital, is Alphabet's private equity fund primarily focused on backing new tech ventures

Source: Reuters

REUTERS

WASHINGTON, DECEMBER 7

SWEDISH MOBILE telecoms company Ericsson has agreed to pay over \$1 billion to resolve probes into corruption, including the bribing of government officials, the US Department of Justice said on Friday.

The bribery took place over many years in countries including China, Vietnam and Djibouti, the department said. The total charges include a criminal penalty of more than \$520 million, plus \$540 million to be paid to the US Securities and Exchange Commission (SEC) in a related matter.

The company admitted it had conspired with others to violate the Foreign Corrupt Practices Act (FCPA) from at least 2000 to 2016 by engaging in a scheme to pay bribes and to falsify books and records and by failing to implement reasonable internal accounting controls, the Justice Department said in a statement.

"Certain employees in some markets, some of whom were executives in those markets, acted in bad faith and knowingly failed to implement sufficient controls," Ericsson CEO Borje Ekholm said in a conference call on Saturday.

‘Will pump more oil when global inventories fall’

Vienna: OPEC and its allies would only ease supply curbs and pump more oil once global crude inventories fall and pricing reflects a tighter market, Saudi Arabia's energy minister told Reuters.

Saudi Arabia spearheaded a deal Friday with Russia and OPEC+ producers to deepen output cuts through the first quarter of 2020.

Saudi Energy Minister Prince Abdulaziz bin Salman said he expected OPEC+ producers to continue cooperating beyond March.

"The jury is still out where we will be in March," he said regarding the level of supply the market will need then. REUTERS

EXPRESS NEWS SERVICE

THIRUVANANTHAPURAM, DEC 7

THE total charges include a criminal penalty of more than \$520 million, plus \$540 million to be paid to the US Securities and Exchange Commission in a related matter

"I view what has happened as a completely unacceptable and hugely upsetting chapter of our history."

Ericsson used third parties to pay bribes to government officials to secure and keep business, authorities said. Consultants were retained to create slush funds and transfer money to third parties, according to one of the complaints.

One of the company's subsidiaries, Ericsson Egypt Ltd, pleaded guilty in the Southern District of New York to a charge of conspiracy to violate the anti-bribery provisions of the FCPA.

Pleading guilty can bring additional severe sanctions, including the revoking of licenses, but the company can negotiate waivers to ensure they can continue to operate.

Kerala Bank set up: Amalgamation of state, district co-operatives

will reduce the three-tier co-operative banking system in the state to a two-tier one.

Earlier, the Reserve Bank of India gave its nod for the formation of Kerala Bank. Of the 14 district co-operative banks, the Congress-led UDF controlled district bank in Malappuram has not so far become part of Kerala Bank.

State Co-operation Minister Kadakampally Surendran said an interim administrative panel was appointed for running Kerala Bank. A new CEO will assume charge next month and deployment of staff of the co-operative banks will be completed by the end of the fiscal, he said.

The formation of Kerala Bank

US PRESIDENT’S STANCE COMES AMID NEGOTIATIONS TO END TRADE WAR

World Bank to cut lending to China after Trump objection

AGENCE FRANCE-PRESSE
WASHINGTON, DECEMBER 7

THE WORLD Bank said Saturday its lending to China has fallen sharply and will continue to be pared back, after US President Donald Trump demanded it stop altogether.

"Why is the World Bank loaning money to China? Can this be possible? China has plenty of money, and if they don't, they create it. STOP!" Trump wrote on Twitter Friday.

The bank, which is led by former US Treasury official David Malpass, defended its approach in a brief statement.



US President Donald Trump speaks to reporters while participating in a "roundtable on small business and red tape reduction accomplishments" in the White House in Washington on Saturday. Reuters

"World Bank lending to China has fallen sharply and will continue to reduce as part of our agreement with all our shareholders including the United States.

"We eliminate lending as countries get richer," it said.

Trump was reiterating a position long held by his administration, including Malpass prior to his election as the current head of the World Bank. Treasury Secretary Steven Mnuchin told US lawmakers Thursday that the United States "has objected" to the institution's multi-year program of loans and projects in China.

That program, which includes plans to reduce lending to China, was adopted on Thursday.

The program "reflects the evolution of our relationship with China," Martin Raiser, World Bank Country Director for China, said on Thursday.

"Our engagement will be increasingly selective."

Trump's very public stance comes amid negotiations between Washington and Beijing seeking to end the US president's 18-month-long trade war, which is aimed at forcing China to make concessions on protecting American businesses and reducing its trade surplus.

There is a great deal of uncertainty about the date of a possible partial agreement, which Trump said was imminent in October.