

POLICY WATCH
FISCAL DEFICIT

Govt Budget math to get boost from AGR mop-up, RBI dividend, tax dispute resolution

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EVEN WITH the Centre expecting to face significant shortfall in mop-up from taxes and disinvestment in the current fiscal, it will partly make up via unexpected revenues from a tax dispute resolution scheme, Supreme Court mandated payments related to adjusted gross revenue (AGR) from telecom companies and higher-than-Budgeted dividend payout from the RBI.

Reduction in expenditure by ministries in the last quarter of the current fiscal, as suggested by the Union Finance Ministry, would further help in cushioning the fiscal situation. Analysts note the revenue loss from corporate tax rate cut announced last September will not be more than Rs 70,000-80,000 crore, as against Rs 1.45 lakh crore estimated earlier by the government.

Though a breach in fiscal deficit is being anticipated, these steps combined would help contain its quantum. Rough calculations suggest the government may get Rs 2.36 lakh crore from these unexpected revenue sources, while the shortfall from taxes and disinvestment is Rs 3.10 lakh crore, resulting in a fiscal deficit of around 3.7 per cent of GDP, which could even slip further, given a lower 7.5 per cent nominal GDP growth rate projected in the government's first advance estimates. The Budget had pegged fiscal deficit at 3.3 per cent of GDP for 2019-20. In a report on economy on Wednesday, India Ratings & Research said it expects shortfall in tax and non-tax revenue to result in the fiscal deficit slipping to 3.6 per cent of GDP.

The highest collection among the unexpected sources would likely come from payments by telcos, even though they have sought a review of the payment deadlines from the SC. The payout by all telcos combined could be as high as Rs 1.43 lakh crore after the dues for spectrum usage charges (SUC) linked to AGR is taken into account.

In a reprieve to Bharti Airtel and Vodafone Idea among others, the Supreme Court Tuesday agreed to hear their plea seeking permission to ne-

Rough calculations suggest the Centre may get Rs 2.36 lakh crore from these unexpected revenue sources, while the shortfall from taxes and disinvestment is Rs 3.10 lakh crore, resulting in a fiscal deficit of about 3.7 per cent of GDP

gotiate the timeline for payment of AGR with the DoT next week. As of July last year, Airtel had to pay nearly Rs 21,682 crore in AGR dues, while the combined entity of Vodafone Idea has to shell out as much as Rs 28,308 crore. Reliance Communications, which is currently undergoing insolvency proceedings, owed the government about Rs 16,456 crore as of July 2019. The court's judgment on AGR had impacted non-tele-

com public sector enterprises, such as GAIL, Power Grid, Delhi Metro Rail Corporation and RailTel, which are contesting the levy.

The government will also get an additional Rs 58,000 crore, compared to Rs 90,000 crore accounted for as surplus transfer from the RBI in the Union Budget 2019-20 for spending in the current financial year. The government is also expecting Rs 35,000 crore under the Sabka Vishwas (Legacy Dispute Resolution) Scheme. Finance Minister Nirmala Sitharaman, last week, said "about Rs 35,000 crore has been settled" for cases related to excise and service tax regime.

Citing fiscal situation, the Finance Ministry last month cut the amount various ministries and departments can spend in the last quarter to a maximum of 25 per cent of their Budget estimate for the entire financial year, as against the earlier limit of 33 per cent. The Centre is also expected to miss on its target from disinvestment collections. In this year's Budget, the government has set a disinvestment target of Rs 1,05,000 crore, compared to Rs 80,000 crore in 2018-19. However, the Centre has raised only Rs 18,094.59 crore so far.

RELIANCE JIO ONLY TELCO TO CLEAR AGR DUES BY PAYING ₹195 CR AS DEADLINE ENDS

No coercive action against telcos not paying dues: DoT

AASHISH ARYAN
NEW DELHI, JANUARY 23

ON A day when none of the telcos or non-telecom companies, barring Reliance Jio, turned up to pay clear their adjusted gross revenues (AGR) dues, the Department of Telecommunications (DoT) Thursday evening issued a letter stating that there would be no coercive action against all licensees, both telecom and non-telecom, until further orders. The deadline for telcos and non-telecom companies to pay the AGR dues was to end on Thursday.

A detailed status report of compliance, or otherwise may be sent to the CGCA (Controller General of Communication Accounts) TSP (telecom service provider) wise on 24.01.2020 by 5 PM," the DoT letter, sent out by the Licensing Finance Policy Wing of the DoT, said.

The stance taken by DoT was also confirmed by Solicitor General Tushar Mehta, who while speaking to *The Indian Express* ruled out the possibility of immediate and automatic triggering of contempt of court case against the companies if they failed to pay by January 23 deadline.

₹3L cr sought from non-telco PSUs a 'communication gap': Pradhan

New Delhi: Oil Minister Dharmendra Pradhan said the Rs 3 lakh crore sought by the DoT from non-telecom PSUs, such as GAIL, Oil India Ltd and PowerGrid, was a result of "communication gap" as these firms are not liable to pay any dues following the Supreme Court's October 24 ruling that non-telecom revenues of telecom firms should be included for considering payments of government dues.

OIL and GAIL, which were not a party to the litigation that led to the

October 24 order, filed clarificatory applications in the Supreme Court.

Following the October 24 order, the DoT had sought Rs 1.47 lakh crore from Bharti Airtel, Vodafone Idea and 13 other telecom companies. Parallely, it raised a demand of Rs 1.72 lakh crore from gas utility GAIL India Ltd, Rs 48,000 crore from Oil India Ltd, Rs 40,000 crore from PowerGrid, Rs 15,019 crore from Gujarat Narmada Valley Fertilizers and a few more demands on firms such as RailTel. **PTI**

Court (SC) had heard their modification pleas.

Officials of the DoT had on Wednesday told *The Indian Express* that they would have to move a separate civil suit seeking the apex court's directions on what it should do going ahead, if it seeks to recover the AGR dues from all the companies.

According to the October 24, 2019 judgment of the SC, both

telcos and non-telecom companies were required to clear their AGR dues within three months, the deadline for which expired on Thursday.

Both Vodafone Idea and Bharti Airtel had approached the apex court on Monday seeking its permission to "work out feasible terms mutually with DoT (Department of Telecommunications)" to ensure that they remain a "going concern".

Vodafone Idea had, in its plea, said that it was "facing a huge financial stress and is not in a position to make either up front payment of the amounts due or provide any financial bank guarantees to securitise the amounts due".

On the other hand, Bharti Airtel, in its plea, stressed upon the larger ramifications, the financial viability of the companies impacted by the AGR judgment, and large scale job losses which could happen if no relief was given.

The apex court had on October 24 last agreed with the DoT's definition of AGR, and said that the companies, both telecom and non-telecom, must pay all dues they owe to the government along with interest and penalty. Following the judg-

ment, Bharti Airtel and Vodafone Idea had unsuccessfully tried to persuade the DoT to relax the deadline for payment of dues.

Having failed there, the companies then moved the apex court with a review of the October 24 judgment.

The review petition, which was junked by the court last week, did not give any extension on the deadline for paying AGR dues either.

The total payout by all telecom companies combined could be as high as Rs 1.43 lakh crore after the dues for spectrum usage charges (SUC) linked to AGR is also taken into account.

According to industry sources, while Vodafone Idea may have to shell out as much as Rs 53,000 crore, Bharti Airtel will have to pay nearly Rs 35,590 crore.

Tata Services, which sold its business to Bharti Airtel, will have to pay as much as Rs 14,000 crore in AGR dues, sources said.

Reliance Jio Infocomm, which had the least AGR burden at Rs 195 crore, cleared all its dues till January 31, 2020, according to sources aware of the development.

Airtel's chief regulatory officer quits

PRANAV MUKUL
NEW DELHI, JANUARY 23

BHARTI AIRTEL'S chief regulatory officer Ravi Gandhi has resigned. The development comes to light at a time when the company is embroiled in the AGR issue and is running from pillar to pole, with the DoT on one side and the Supreme Court on the other, to prevent a Rs 35,500-crore payout.

An Airtel executive confirmed the development but did not disclose the reason behind Gandhi's departure. People close to Gandhi said he resigned a month ago and was currently serving his notice period. He will leave the company on March 31. He will be joining another firm outside the telecom sector, they said. A text message sent to Gandhi did not elicit a response.

Airtel is due to pay Rs 35,500 crore to the DoT after the SC recently rejected a review plea into its October 24 verdict asking telcos to deposit their licence fee and spectrum usage charge dues of over 14 years within three months.

Mondelez India settles tax dispute under Sabka Vishwas Scheme; pays ₹439 crore

KHUSHBOO NARAYAN
MUMBAI, JANUARY 23

MONDELEZ INDIA Foods Pvt Ltd (earlier Cadbury India) has settled one of its most controversial tax disputes, pertaining to its alleged plant in Baddi, Himachal Pradesh, with the government under the Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019, which was introduced by the Finance Ministry in September 2019.

The firm, which was accused of evading taxes of about Rs 580 crore, excluding taxes and penalties, paid Rs 439 crore on January 20, under the amnesty scheme, said sources. The total tax dues of the company with interest and penalties stood at over Rs 820 crore. The company had made an application under the amnesty scheme in December 2019.

Mondelez is also being probed by the CBI after the Central Vigilance Commission referred the tax evasion case to the agency, as it found allegations that certain state and central government officials were allegedly bribed by the company to facilitate the tax evasion. In 2017, the CBI registered a case against Mondelez under the Prevention of Corruption Act, but it is not clear if the agency has filed a charge sheet in the case.

"We continue to believe that the decision to claim an excise tax benefit in respect of our plant in Baddi was valid. However, the matter relates back to 2010, and it could take several more years to

The firm, which was accused of evading taxes of about Rs 580 cr, excluding taxes and penalties, paid Rs 439 cr on January 20

be resolved through the legal process. The Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019, introduced by the government in 2019, was an opportunity to settle a potentially protracted litigation. Like other tax payers, Mondelez India chose to take advantage of the amnesty, and we settled several legacy disputes including the Baddi matter," the official spokesperson of the company told *The Indian Express*. "The decision to take advantage of the tax amnesty was made in the interest of putting an end to this issue so that we can focus on what we do best, our purpose of empowering people to snack right. India is a key market for Mondelez International and we will continue to prioritize growing our business her," the spokesperson added.

The tax evasion case pertains to an investigation done by the Directorate General of Central Excise Intelligence (now DG GSTI) in 2011 for allegedly misusing 'area-based exemption' for its new unit in Baddi, even before it came into existence, to avail excise duty benefits. A tax demand of about

Rs 580 crore was raised in 2015 against Mondelez, for allegedly evading excise duty by fraudulently taking exemption for one of its 'ghost' production units in Himachal Pradesh's Baddi area.

Under the norms, the area-based exemption for new industrial units of firms in Himachal Pradesh provided full exemption from excise duties for production of specified goods for a period of 10 years. However, for availing such exemption the unit should have been established before March 2010. During the investigation, the DGGSTI officials allegedly found that Mondelez claimed excise duty exemption for its new unit in Sandoli village in Baddi relating to a period even before it came into existence.

In 2017, Mondelez International agreed to pay \$13 million to settle US Securities and Exchange Commission charges that its Cadbury unit violated the provisions of the Foreign Corrupt Practices Act through efforts to expand the chocolate plant in Baddi. The SEC said that Cadbury India paid a local businessman \$90,666 in 2010 to work with government officials in Himachal Pradesh and obtain licenses and approvals for the expansion of the Baddi unit.

The Sabka Vishwas (Legacy Dispute Resolution) Scheme, was a one-time measure for liquidation of past disputes of Central Excise and Service Tax as well as to ensure disclosure of unpaid taxes by a person eligible to make a declaration.

'69% of routine work done by managers will be automated by 2024'

By 2024, artificial intelligence (AI) and emerging technologies such as virtual personal assistants and chatbots will replace almost 69 per cent of the manager's workload, as per Gartner

OUTLOOK

Currently, managers often need to spend time filling in forms, updating information and approving workflows. By using AI to automate these tasks, they can spend less time managing transactions and can invest more time on learning, performance management and goal setting

SHORTAGE

Enterprises have been experiencing critical talent shortage for several years

UNTAPPED POOL

Organisations need to consider people with disabilities, an untapped pool of critically skilled talent

ORGANISATIONS EMPLOYING PEOPLE WITH DISABILITIES

Gartner estimates that organisations actively employing people with disabilities have 89 per cent higher retention rates, a 72 per cent increase in employee productivity and a 29 per cent increase in profitability

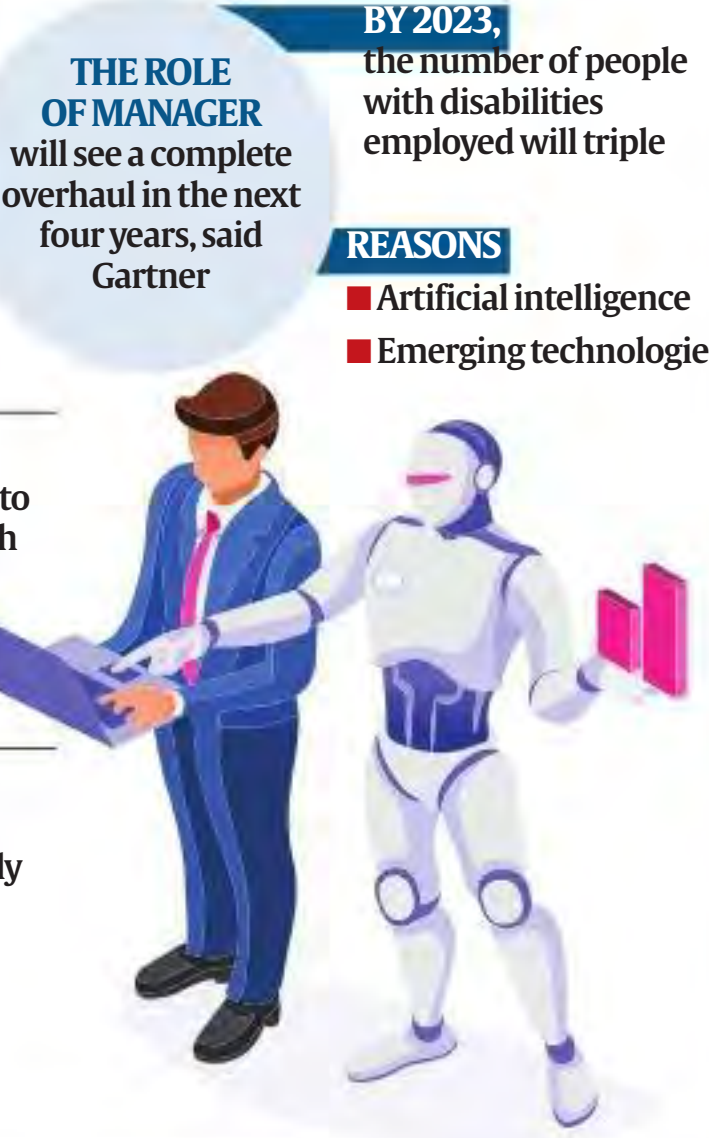
AI AND EMERGING TECHNOLOGIES

will undeniably change the role of the manager and will allow employees to extend their degree of responsibility and influence, without taking on management tasks

APPLICATION LEADERS focused on innovation and AI are now accountable for improving worker experience, developing worker skills and building organisational competency in responsible use of AI

NEARLY 75% of heads of recruiting reported that talent shortages will have a major effect on their organisations, according to Gartner

Source: Gartner/PTI



50TH ANNUAL MEETING OF WORLD ECONOMIC FORUM

If I were not a minister today, I would be bidding for Air India, says Goyal

BARUN JHA
DAVOS, JANUARY 23

AS THE government works on divesting debt-laden Air India, Union Minister Piyush Goyal on Thursday said if he was not a minister, he would be bidding for the airline. Air India has been in the red for long and the government is now in the process of finalising the contours for its disinvestment.

Responding to a query about proposed disinvestment of Air India, BPCL and other companies, Goyal said in the first term, the government had inherited an economy which was in pretty terrible shape. Steps were taken to put the economy back in shape and if the government had looked at divesting these jewels, it would not have got a great value.

He was talking at a session on 'Strategic Outlook: India' at the WEF 2020 here. "If I weren't a minister today, I would be bidding for Air India. It has some of the best bilaterals the world over... a well managed and efficient Air India



Commerce and Industry Minister Piyush Goyal with Apple CEO Tim Cook at the 50th World Economic Forum annual meeting in Davos Thursday. Photo: @PiyushGoyal twitter handle

with lot more good aircraft put in using these bilaterals is nothing short of a gold mine to my mind," Goyal said. Bilaterals refers to a pact between two countries that

allows each other's airlines to operate services with a specific number of seats. Goyal holds the portfolios of Railways as well as Commerce and Industry. **PTI**

'Talks with EU, UK soon'

ENSECONOMIC BUREAU
NEW DELHI, JANUARY 23

COMMERCE AND Industry Minister Piyush Goyal has said India would hold talks with the EU and the UK to forge free trade agreements. He, however, insisted that the China-dominated Regional Comprehensive Economic Partnership (RCEP) pact, in its current form, is an "unbalanced trade agreement which is really not fulfilling the guiding principles on which it started".

India could also clinch a trade deal with Australia — an RCEP member — in the next 6-8 months, having revived talks that were stuck, he said. Speaking at a session of the WEF Summit, Goyal also exuded confidence that the Indian economy is well-poised to take off and there is growing enthusiasm among foreign firms to invest in the country. **FE**

US officials see EU, UK trade deals in 2020, not with India

REUTERS
DAVOS, JANUARY 23

THE TRUMP administration expects to secure trade deals with the European Union and Britain this year, but not India, top U.S. officials said on Thursday.

US Commerce Secretary Wilbur Ross and US Treasury Secretary Steven Mnuchin said in several television interviews that they expected to finalise agreements with those allies in 2020.

On Wednesday, US President

Donald Trump said he hoped to finalise a pact with Europe before he faces reelection in November.

"The president is very focused on trade and he's very focused on Europe," Mnuchin, speaking from the World Economic Forum in Davos, Switzerland, told *CNBC*, adding that a meeting between US and European officials this week was "good." "We're very focused on a UK free trade agreement, which we hope to get done this year as well," Mnuchin added.

Ross, speaking on *Fox Business Network*, echoed that sentiment

on the timeline but said it was more complicated working with the EU, given the number of countries involved.

"Our working assumption is that it will not fail and that we will make a deal with them," Ross said, referring to the EU.

On India, Ross said that while the United States was eager to cooperate with the country and was in discussions, with more talks likely, a pact was unlikely in 2020.

"I very much doubt that would occur this year," he told *Fox Business Network*.

Data privacy must be seen as a human right: Nadella

PRESS TRUST OF INDIA
DAVOS, JANUARY 23

MICROSOFT CEO Satya Nadella on Thursday said data privacy must be seen as a human right that needs to be protected and have full transparency.

Speaking here at the World Economic Forum (WEF) Annual Summit 2020, Nadella said it also

needs to be ensured that the huge data being used with consent is for the good of the society.

During a conversation with WEF Founder and Executive Chairman Klaus Schwab, Nadella also favoured a debate on CEO pay and all kinds of remuneration, including return on capital.

Asked what was his recipe for doing good and at the same time doing well as the most valuable

company in the world, Nadella said, "It comes down to having that core business design: when you do well, the world around you does well."

"People and institutions are all part of our society, so if you don't think about the broader systems, it's not stable," he added.

"The question ultimately goes back to what is the market saying and what is society saying?"

MEANWHILE

CEOs welcome pay alignment with ESG criteria

Davos: A lot of global CEOs have indicated their support for a proposed alignment of top executive salaries with the firm's performance on environmental, social and governance criteria. **PTI**

New internet security principles

Davos: The World Economic Forum on Thursday announced new internet security principles, developed by a group of leading ISPs and multilateral organisations, to help protect up to 1 billion users. Unveiling the new initiative here at its 50th annual meeting, the WEF said BT, Deutsche Telekom, Du Telecom, Europol, Global Cyber Alliance, Internet Society among others endorse these principles. **PTI**