"Statements like 'goli maro' and 'Indo-Pak match' should not have been made. Our party has distanced itself from such remarks"
AMIT SHAH
Union home minister

"Congress leaders have to reinvent themselves. The Congress has to reinvent itself if it has to be relevant. The substance and style of our leadership has to change"
JAIRAM RAMESH
Congress leader

"America is putting pressure and (Narendra) Modi is succumbing to completely open up our economy which is the gain they want to achieve in order to give support to Modi on issues like CAA, Article 370 and others"
SITARAM YECHURY
CPI(M) general secretary

IN BRIEF

FPIs turn net buyers; put in $6.3 billion in Dec quarter

Foreign investors turned net buyers in the Indian markets in the December quarter, pumping in a staggering $6.3 billion on the back of the government's intent to bring reforms for supporting the economic growth. This comes following a net outflow of $3.22 billion by foreign portfolio investors (FPIs) in the quarter ended September 2019. According to a Morningstar report, foreign investors started the quarter on a subdued note as they turned risk-averse with fears of a global recession and trade wars gaining momentum. PTI

Moody's: RBI's new asset norms credit negative for banks

The RBI's recent asset recognition norms that allow banks not to treat real estate loans as restructured for one year is credit negative for banks, Moody's said. It said property developers will have an extra year to address funding issues before banks have to classify a loan as restructured. PTI

2,200 professionals declared income above ₹1 cr: CBDT

CBDT defended PM Narendra Modi's statement that only 2,200 people declared income of more than ₹1 crore in FY20, saying it was true. PM's comment drew flak on social media, with many saying he contradicted government data. PTI

Canola oil imported as rapeseed oil from Bangladesh

The Directorate of Revenue Intelligence has unearthed a scam involving import of canola oil of Candian origin by wrongly declaring it as rapeseed oil from Bangladesh to evade taxes, sources said. PTI

Bank credit grows 7.13% to ₹101 trn in 2nd half of January

Bank credit and deposits grew 7.13 per cent and 9.91 per cent to ₹101.02 trillion and ₹133.24 trillion, respectively, in fortnight ended January 31, according to RBI data. In the year-ago fortnight ended February 1, 2019, banks advances stood at ₹94.29 trillion while deposits at ₹121.22 trillion. PTI

Allahabad Bank cuts MCLR by 5 bps across tenors

Allahabad Bank has cut the marginal cost of funds based lending rate (MCLR) by 0.05 percentage points across tenors, effective February 14, the bank said in a regulatory filing. PTI

ICAI's Sustainability Accounting Standards Board to be formed

Chartered accountants' apex body ICAI will set up a Sustainability Accounting Standards Board to help firms in achieving sustainable development goals. It also suggested legal provisions for "time-bound" completion of cases. PTI

Sabka Vishwas scheme may not add much to govt coffers

Govt faces uphill task of meeting indirect tax target despite scaling it down

DILASHA SETH
New Delhi, 13 February

The indirect tax department, facing a challenging revenue target for the current fiscal year (FY20), may get little cover from a pre-GST resolution scheme as about 65 per cent of the taxes declared has already been paid, said an official.

Of the ₹39,000-crore tax disclosed under the legacy dispute resolution scheme — Sabka Vishwas — the department will receive only ₹14,000 crore, with ₹25,000 crore already deposited by the applicants.

Almost 190,000 assessees came forward for settlement under the scheme.

"We have received applications and are sending out notices to them for payment. However, the dues will not add up to much as far as revenues are concerned as a large part was already given to the department as pre-deposit at the stage of investigation, enquiry or audit, leaving just about ₹14,000 crore to be collected," said the government official.

The indirect tax target was cut by ₹1.8 trillion in the Revised Estimates (RE) compared to the Budget Estimates for FY20, yet it appears on the higher side considering the rate of collection so far.

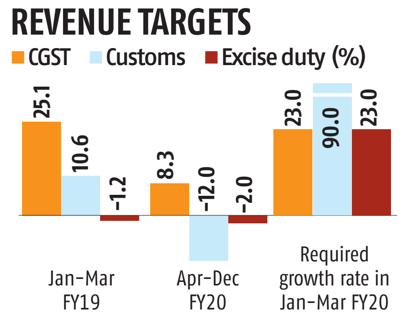
Central Goods and Services Tax (GST) grew 10.4 per cent in the April to January period and will need to grow by 21 per cent in the last two months of FY20 to meet the RE, which was scaled down by ₹1 trillion in the recent Budget.

Customs collections shrank 12 per cent in the April to December period and will need to grow by a whopping 90 per cent between January and March. The duty was raised on a slew of items in Budget, including electronics and household items, which may help the exchequer.

Similarly, excise duty revenue contracted by 2 per cent in the first nine months of FY20 and will need a growth of 27 per cent in the remaining three months.

A senior Central Board of Indirect Taxes and Customs (CBIC) member told *Business Standard*: "I don't think the projections are off the mark. We may fall short by a maximum of ₹5,000-6,000 crore, but not more than that as we are expecting to see GST collections of over ₹1.1 trillion in February, just like the previous month."

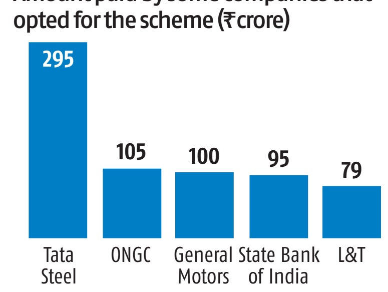
INDIRECT TAX REVENUE TARGETS



Sources: CGA, Budget

TAX DECLARED

Amount paid by some companies that opted for the scheme (₹ crore)



"Collections from Sabka Vishwas will add to excise duty collections as payments for the applications made will start flowing in from February."

He added that large companies stayed away from the scheme as they felt they could fight it out legally, with the government having a winning rate of just about 10 per cent in litigation.

> A CBIC member said that large companies stayed away from the scheme as they felt they could fight it out in court, with the government having a winning rate of just about 10% in litigation

The scheme was launched in September to resolve pending tax disputes under excise duty and service tax under litigation, arrears, or investigation worth around ₹3.75 trillion. Taxpayers were offered deep discounts to the tune of 40-70 per cent, relief from payment of interest and penalty and complete relief from prosecution. Services tax and a large part of the excise duty were subsumed under the GST regime from July 2017.

The CBIC had clarified that any amount paid as pre-deposit at any stage of appellate proceedings under the indirect tax enactment or as deposit during inquiry, investigation or audit, will be adjusted against the taxes declared under the scheme.

The scheme gives a deep discount of 70 per cent for cases pending appeal where tax demand is more than ₹50 lakh, and 50 per cent waiver beyond that amount. Even in the case of arrears, the discount is a lucrative 60 per cent for tax demands below ₹50 lakh, and 40 per cent above it. In addition, the scheme waives any interest, fine, and penalty pending, and absolves taxpayers of any prosecution.

The scheme, which closed on January 31 after a month's extension, saw taxpayers with large dues stay away. Among the large companies that filed declaration are Tata Steel, Mondelez India, ONGC, General Motors, SBI and Kellogg's.

Rajat Mohan, senior partner, AMRG Associates, said the government will only get a small sum. "This shows the deplorable state of tax litigations whereby taxpayers are confident of their tax claims and they want to file refund of pre-deposits also on final verdict of the courts," he said.

PW India won't offer non-audit service to clients

RUCHIKA CHITRAVANSHI
New Delhi, 13 February

Price Waterhouse Network of Firms in India (PW India), the Indian affiliates of accounting giant PwC, announced on Thursday that it will no longer provide non-audit services to Indian audit clients governed by the National Financial Reporting Authority. These are services such as tax advisory and consulting.

"Given the important role that auditing plays in the Indian economy, everyone relying on audit needs to have the same high level of confidence in auditor's independence, objectivity and effectiveness," said Subramanian Vivek, partner at Price Waterhouse.

Determining whether an auditor is independent under current laws, say experts, is difficult as audit firms provide services across jurisdictions as part of one common network. As a result, the same network could provide both audit and non-audit services to the same client, which can lead to a conflict of interest.

At a time when auditors are facing the heat in high profile corporate scams, some firms such as Grant Thornton India decided last year not to take up non-audit work for listed companies audited by them.

A recent consultation paper floated by the corporate affairs ministry called for suggestions on increasing the list of non-audit services and amending existing laws to enhance independence and accountability.

"...the auditors could be tempted to eliminate certain audit procedures to reduce costs, take on riskier clients, acquiesce to management's demands, or aggressively expand their riskier non-audit services under the banner of a trusted audit firm brand, which would only increase the already continued high rates of audit deficiencies," the consultation paper said.

In 2018, the Securities and Exchange Board of India barred PW India and some other firms from auditing listed firms for two years over their role in the Satyam case. The ban ends this year. Most audit firms operate as networks and have a brand licensing pact with the Big Four, which are not allowed to undertake audit activity in India.

"Good to see other firms follow what we announced effective July 1 , 2019, and collectively we can certainly set the high standards expected of the Audit profession. I expect this to become the norm not just in India but globally," said Vishesh Chandiok, CEO, Grant Thornton India.

PW India said in a press statement, "Considering the wide-ranging discussions with stakeholders about the future of audit, PW India firms believe that this voluntary action will further strengthen the audit profession in India and enhance trust in the Indian capital markets, society and Indian economy at large."

To tackle this economic concentration of audit, section 144 of the Companies Act, 2013, provides an exhaustive list of non-audit services that force auditees to consider hiring firms other than the Big Four to carry out statutory audits.

MCA'S 5 BIG CONCERNS

- **Self-interest:** Reliance of auditor on fee from client harms self-interest
- **Self-review:** Auditing their own work such as other non-audit services may hit independence
- **Advocacy:** Acting as advocate on behalf of the client in resolving disputes with 3rd parties
- **Familiarity:** Close relationship with a client could affect objectivity
- **Intimidation:** A client's bid to exercise undue influence over auditor

Source: MCA's consultation paper

Rajiv Bansal named AI boss amid sale process

ARINDAM MAJUMDER
New Delhi, 13 February

In between the privatisation process of Air India, the government appointed Rajiv Bansal, an additional secretary with the oil and gas ministry, as the new boss of the state-owned airline. He will replace Ashwani Lohani, the current Chairman & Managing Director (CMD), who didn't agree to extend his one-year contract, which expired on February 11.

Bansal has served as CMD of Air India for around a year in 2017 before going back to the oil & gas ministry.

Lohani, who was reappointed Air India CMD in 2019, had earlier held the position for around two years from 2015. In August 2017, he was named the Chairman to the Railway Board. He retired on December 31, 2018. Sources aware of the development said Lohani didn't agree to extending his one-year contract as he didn't see an opportunity for growth. "He wasn't very happy as there were cap on expansion and growth plans due to the ongoing disinvestment process, he didn't want to be remembered as the last CMD of Air India as it now exists," the person said.

The government has undertaken for the third time the process to privatise Air India after a failed attempt in 2017. As part of the process, the Department of Private Assets and Management has put limits on any capex expansion plans of the airline.

Banks, companies gear up for life after LIBOR

New process will be simple for loans, but tricky for derivatives, say experts

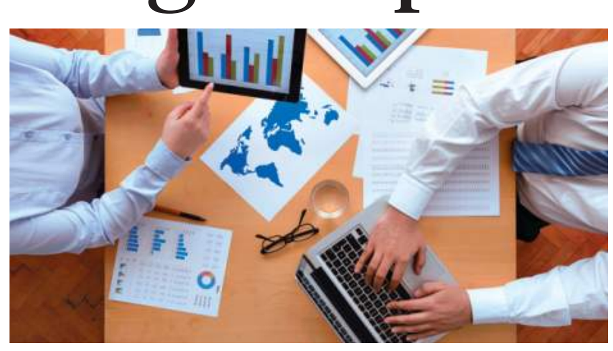
ANUP ROY & ABHIJIT LELE
Mumbai, 13 February

With the London Interbank Offered Rate (LIBOR) getting discontinued in 2021, about $350 trillion of linked loans and derivatives segment are now to be linked to a new benchmark.

There is a near consensus that the LIBOR will be replaced by the Secured Overnight Financing Rate (SOFR) for all dollar loans, but other benchmarks, too, are in the race. Besides, India has its own benchmarks and the Indian Banks' Association (IBA) is working on a road map to guide banks and financial assets to get into those.

Senior bankers said lenders are working on two aspects regarding the replacement of the LIBOR. They are now working on a strategy for the transition to a new benchmark as this has implications for risk management, product development, and information technology, which impacts the internal systems and client businesses. Second, banks under the aegis of Indian Banks' Association (IBA) may also approach the Reserve Bank of India (RBI) for regulatory guidances for an orderly transition.

The RBI, on its part, had asked Financial Benchmarks India (FBIL) to change its methodology on benchmark creation. FBIL has its own Overnight Mumbai Interbank Outright Rate (MIBOR) and



With the world moving to a new benchmark, Indian banks and firms are awaiting clarity on how their contracted exposure will change. India's external debt at end-June 2019 was $557.4 billion

Mumbai Interbank Forward Outright Rate (MIFOR) — which is linked to the LIBOR — as financial benchmarks.

But final changes to these can be made only after it is established how the world shifts to a new benchmark.

There are several benchmarks, depending on the country of origin and currency used, which are competing for the space after the LIBOR is phased out. The SONIA (Reformed Sterling Overnight Index Average), the ESTR (Euro Short-Term Rate), the SARON (Swiss Average Rate Overnight), and the TONA (Tokyo Overnight Average Rate) are among the potential alternatives.

The LIBOR is fixed by a polling method where banks relay their rates to the Intercontinental Exchange, which puts out the benchmark. But after the 2012 LIBOR fixing scandal where it was found that some banks could be manipulating their rates in the poll, it was decided that the next benchmark would be based on actual trades.

India's benchmarks also consider trades.

However, with the world moving to a new benchmark, the Indian banks and companies are awaiting clarity on how their contracted exposure will change. India's external debt at end June 2019 was $557.4 billion.

Experts, on the other hand, say there is nothing to worry.

"It is such a big problem that the solution has to be very simple," said Samir Lodha, managing director at QuantArt Markets. One effective solution could be to simply tell that effective from the end of a particular period, the contract gets linked to the new benchmark.

"The difference won't be more than 5-10 basis points for the loans. But for derivatives products, the modelling, software, etc, will have to be changed," said Lodha.

Similarly, according to Prabal Banerjee, group finance director at Bajaj Group, the transition shouldn't be a problem for Indian companies and banks. "The contracts will automatically get converted. The benchmarks are technically highly developed. So switching on to the new benchmark will be smooth," Banerjee said.

Advised Manmohan, Mukherjee against Vodafone tax: Montek

BS REPORTER
New Delhi, 13 February

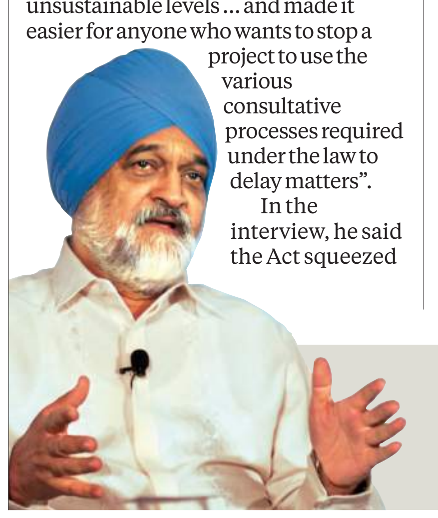
Montek Singh Ahluwalia, who was deputy chairman of the Planning Commission during the United Progressive Alliance's (UPA's) decade in office (2004-14), has said he had in 2012 advised then prime minister Manmohan Singh and then finance minister Pranab Mukherjee not to implement one of the most controversial decisions taken by the government of the day — to retrospectively amend the Income Tax Act, 50 years after it was passed, to overturn the Supreme Court's Vodafone judgment. However, they did not heed his advice.

Asked whether this meant that Singh agreed with the proposal and didn't think it would send out a damaging message about India's attitude to investment and the rule of law, or that he was weak and unable to overrule the finance minister, Ahluwalia said he couldn't answer that because he was not privy to any discussions between the two of them.

However, he did say that at no point thereafter (during the past eight years) had Singh told him that the decision to retrospectively amend the Act was a mistake. He said this had not been discussed between them.

In a 60-minute interview to *The Wire*, to cover the launch of his forthcoming book *Backstage: The Story Behind India's High Growth Years*, Ahluwalia told Karan Thapar that the land acquisition law in 2013 "went too far". He admitted the government had received petitions from industrialists pointing this out but since they were "stakeholders" their advice was not taken.

In his book, he accepted the Act "increased the cost of land to financially unsustainable levels ... and made it easier for anyone who wants to stop a project to use the various consultative processes required under the law to delay matters".



In the interview, he said the Act squeezed industrialists in two ways — in terms of cost and by providing an easy route to obstruct their plans.

Ahluwalia agreed environmental regulations held up clearances of several projects during the UPA years and, consequently, delayed investment and growth. However, he said this became apparent around 2010-11 and thereafter the government needed a couple of years to work out what to do. In 2014, the UPA was voted out of office. Ahluwalia suggested that the UPA did not have the time to act and take corrective measures.

Describing the first seven years of the UPA's 10-year term as "outstanding", he said possibly its greatest achievement was an 8.4 per cent rate of growth during the period, when 138 million people, a figure without precedent, were lifted out of poverty. However, the UPA failed to get recognition for these achievements because it didn't broadcast its successes. Unfortunately, the Congress, too, did not take sufficient steps to publicise the UPA's successes.

Speaking about the charges of corruption that emerged from the 2G and Coalgate controversies, Ahluwalia said the government did not handle them well. He said the UPA had a credible defence, which it failed to make properly. He said the accusation that the exchequer had made a huge loss because spectrum and coal were sold cheaply overlooked the critical facts that this stimulated the growth of telecom and industry, which led to faster GDP growth and which, in turn, brought in additional revenues, which could be used for other developmental purposes.

As for his assessment of Singh as prime minister, Ahluwalia said the view he was weak and vacillating was unfair.

There was a long discussion about whether the fact that Sonia Gandhi was "the final decision-maker" undermined the constitutional position of the prime minister and the traditional manner in which the Indian government worked.

> ASKED FOR HIS ASSESSMENT OF MANMOHAN SINGH AS PM, AHLUWALIA SAID THE VIEW HE WAS WEAK AND VACILLATING WAS UNFAIR