Economy

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FISCAL DISCIPLINE

Nirmala Sitharaman, finance minister

We have not really breached the FRBM. We have not gone outlandish on it. We have kept fiscal discipline, which is a USP for both the Atal Bihari Vajpayee and Narendra Modi governments.

Quick View

Firms can list GDRs at IFSC

INDIAN COMPANIES NOW have the option to list their global depository receipts at the International Financial Services Centre in Gujarat, with the government amending the rules.

Zojila tunnel design change

THE STRATEGIC ZOJILA tunnel between Leh and Srinagar may undergo some design changes to prevent cost escalation as the government plans to complete the project at the earlier estimated cost of about ₹6,800 crore.

Gold imports decline 9%

GOLD IMPORTS FELL about 9% to $24.64 billion during April-January period of the current financial year.

Tea Board chief on auctions

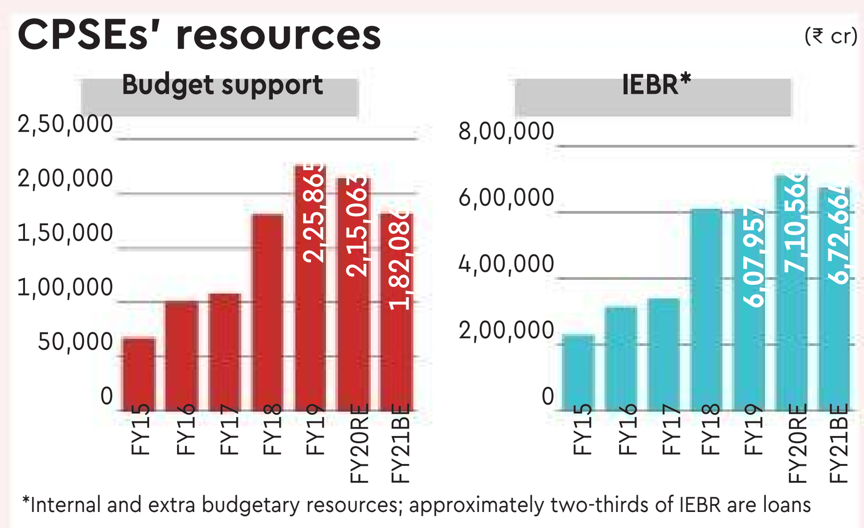
TEA BOARD CHAIRMAN PK Bezbaruah said the board should disassociate itself from the functioning of the auction system and usher in a liberalised regime where private parties can enter.

BUDGET OUTLAY FALLS

CPSEs tap loans more

PRASANTA SAHU
New Delhi, February 16

THE CENTRE'S BUDGETARY constraints have started reflecting on public sector enterprises and departmental undertakings (CPSEs) since FY19 as reduced outlays, and the decline has been sharper in FY20. Budget support to these entities, conventionally little over a quarter of their investible resources, declined 5% on year in FY19 and a sharper 15% in FY20 (*see chart*).



However, the CPSEs have shown capex growth outpacing the Centre's Budget capital spending in both FY19 and FY20, as they relied more on internal resources (post-tax profits) and borrowings. Prodding by the growth-hungry government is also behind the continued stress on capex by CPSEs. While budgetary capex for FY20, as per the latest Budget, is slated to be ₹3.49 lakh crore, up 3% from the Budget estimate made in July last year, CPSEs among themselves will expend ₹5.1 lakh crore as capex in the year, up 14% from the initial estimate.

CPSE's internal and extra-budgetary resources or IEBR (two-thirds of which are debt) are estimated to rise by 17% in FY20. Even though IEBR is projected to decline 5% in FY21, it could be revised upward as has been done for FY20. In FY20, IEBR component has been revised upward by around 30% from the original estimate.

After rising more than three times in five years to reach ₹2.26 lakh crore in FY19, budget assistance to CPSEs is estimated to fall to ₹2.15 lakh crore in FY20 and dip further to ₹1.82 lakh crore in FY21. IEBR rose a little less than three times in five years to ₹6.08 lakh crore. It is now estimated to be ₹7.1 lakh crore in FY20 and ₹6.73 lakh crore in FY21.

The capital expenditure in railways has increased over the years but has taken a quantum jump since FY16, when both the Budget support and EBR became nearly at par. Of capital expenditure of ₹1,33,378 crore in FY19, about 60% was from EBR or loans. The EBR component is estimated to be over 53% in FY20 and 52% in FY21. The National Highways Authority of India, which invests about ₹1 lakh crore annually, depends more on loans than the Budget support. The Budget share in NHAI's annual investment is estimated to come down to 33% in FY20 from 37% in FY19. It is estimated to increase to 39% in FY21.

Around 92% large taxpayers filed returns for FY18: GSTN

Return filing is optional for taxpayers having annual turnover of up to ₹2 crore

PRESS TRUST OF INDIA
New Delhi, February 16

THE GST NETWORK on Sunday said around 92% of large taxpayers with turnover of over ₹2 crore have filed annual returns for 2017-18 fiscal. With the GST being launched on July 1, 2017, this is the first time when businesses registered under the GST have to file annual return GSTR-9 and reconciliation statement GSTR-9C.

"Statistics show that out of eligible large taxpayers, 91.3% had filed their annual return by February 12, 2020. Similarly, 92.3% eligible large taxpayers had filed their reconciliation statement before the said date," the GSTN said in a statement.

While annual return filing is optional for taxpayers having annual turnover of up to ₹2 crore, the same is mandatory for those having annual turnover above ₹2 crore. Such taxpayers are also required to file reconciliation certificate known as GSTR-9C, which can be filed only after filing of GSTR-9.

The data show that the number of taxpayers with a turnover of more than ₹2 crore is 12.42 lakh, which is only 13.4% of the total 92.58 lakh regular taxpayers. This means 80.16 lakh taxpayers are not mandated to file annual returns.

The GSTN statistics, however, showed that 1.04 lakh taxpayers who had an annual turnover of up to ₹2 crore have filed reconciliation statement.

The top three states where businesses registered under the GST recorded maximum return filing are Maharashtra (96%) Rajasthan and Gujarat (95%).

The last date for filing GSTR 9 and 9C was staggered for various states and was February 3, 5 and 7.

"Taxpayers who have not filed by the due date can still file the returns for 2017-18 but will be required to pay the late fee," GST Network said.

Budget hasn't violated fiscal discipline, says Sitharaman

FE BUREAU
Hyderabad, February 16

A DAY AFTER Reserve Bank of India governor Shaktikanta Das sought to allay fears of the Budget proposal on fiscal slippage causing a spike in inflationary pressure, finance minister Nirmala Sitharaman reiterated on Sunday that the Budget FY21 hasn't violated the fiscal discipline.

Addressing a gathering of industry representatives in Hyderabad, she said, "We have not really breached the FRBM. We have not gone outlandish on it. We have kept fiscal discipline, which is a USP for both the Atal Bihari Vajpayee and Narendra Modi governments."

Speaking to reporters, alongside Sitharaman, after a meeting of the RBI board in New Delhi on Saturday, Das too had said the government had largely remained within the deficit road map set by the FRBM Act.

Acknowledging that the FM hadn't really succumbed to the temptation to launch a fiscal stimulus to pump-prime the economy, former RBI governor D Subbarao wrote in The Indian Express on February 12, "It has long been known that the true fiscal deficit is higher than what the government's books show. To her credit, the finance minister took a step towards transparency by admitting to off-balance sheet borrowings of 0.8% of GDP for both the current and next fiscal years — acknowledging that the fiscal deficit would actually be higher at 4.6 per cent and 4.3 per cent of GDP respectively. This is already excessive. Add to this the unrealistic projections of revenue growth and disinvestment proceeds for next year and we have a potentially unsustainable fiscal situation. Any stimulus on top of this would have been clearly unwarranted, and for many reasons".

Invoking an escape clause, the Budget for FY21 proposed to inflate fiscal deficit by 50 basis points for this financial year and the next to 3.8% and 3.5% of GDP, respectively, amid a sharp cut in the corporate tax rate and a shortfall in revenue mop-up following a broader economic slowdown.

On the Budget, Sitharaman said several novel measures have been initiated to address the demand side and allocations have been made to enhance consumption.

She said capital-stressed MSMEs were offered additional terms loans through their respective banks and given them additional working capital.

On the GST, she said from April 1, a "simplified regime" will begin also to ease technical glitches, if any (thanks to the new, simplified monthly returns). She asked the Central Board of Indirect Taxes and Customs to reach out people and clarify their doubts.

From the Front Page

AGR dues non-payment: Telcos to be sent show-cause notices

CONTEMPT PROCEEDINGS have been initiated on the matter against the DoT and the telecom operators, and the next date of hearing on the matter is March 17.

Following a hard rap on February 14, all the field offices of DoT had issued notices to telecom operators to make immediate payments by midnight. However, no telecom operator has made the payment so far, though they have indicated that they would do so before March 17. Still, the offices are expected to send the compliance report to DoT headquarters on Monday and seek instructions for the next course of action.

The notices issued by the controller general of communication accounts of all telecom circles, clearly stated that in case of non-payment, action will be taken as per the licence agreement.

According to officials, a penalty can be imposed on operators for non-compliance and notices issued asking why their licences should not be cancelled.

"The government needs to tread cautiously as it has to comply with the Supreme Court's order while also not take any action that may further worsen the situation of telecom industry," an official said.

So far operators, including Bharti Airtel, Vodafone Idea and Tata Group, have informed the DoT about their intentions to make payments by March 17. While Bharti Airtel has said it will make a payment of ₹10,000 crore on February 20 and balance by March 16, Vodafone Idea has said it will make payments by March 17.

Though in total 15 telecom companies owe ₹1.47 lakh crore in dues to the government, many have either shut shop or gone into insolvency. As such the total amount from the three companies functioning – Bharti Airtel, Vodafone Idea, and Tata Teleservices – is ₹1.02 lakh crore.

Though Bharti has raised funds to pay up and Tata Teleservices is in a position to do the same, Vodafone Idea has stated in the past its inability to pay in one go. It remains to be seen how and when and how much it finally pays.

Indo-US trade: Clouds hang over deal during Trump visit

BOTH THE countries haven't yet reached a consensus on the US demand that India scrap an up to 20% duty on seven ICT products, including mobile phones worth over ₹10,000 and smart watches. Nevertheless, India has strived to narrow the stark differences through hard negotiations over the months. New Delhi has already conveyed that while an across-the-board cut of import duties on the seven items would cost it a massive $3.2 billion a year and help only third parties (like China and Korea) that supply more, it is willing to lower duties on those ICT products where it would benefit the US. The US made up for only 2% of the Indian imports of the seven products in FY18.

As part of the initial deal, India is learnt to have agreed to sweeten its offer on the price control regime for medical devices and apply trade margin on coronary stents and knee implants at the first point of sale (price to stockiest), instead of imposing it on the landed prices, as was planned earlier. The move could help American medical equipment makers like Abbott Laboratories and Boston Scientific Corp.

India had also offered to simplify certain certification procedures for dairy imports from the US.

Last month, commerce and industry minister Piyush Goyal had held a meeting with Lighthizer in Davos, where both are learnt to have discussed the deal.

For its part, India is pitching for an exemption from the extra duty imposed by the US on steel (25%) and aluminium (10%) and a complete restoration of duty-free export benefits for some Indian goods under the so-called Generalised System of Preferences (GSP). The US, however, had been offering to restore the GSP benefits for India--which stood at $240 million in 2018 --only partially, a source had said earlier.

After awards, now highway construction slows down

MORTH LARGELY implements projects through the engineering, procurement and construction (EPC) route where the government bears all the project costs. Most NHAI projects have till recently been built through the hybrid annuity model (HAM), which is much like an EPC model with the concessionaire having virtually no skin in the game; the equity contribution is sub-10%, one reason banks are wary of extending loans to these projects. NHAI funds 40% of the project cost in HAM upfront and remaining 60% over a period of 15 years. The traditional build-operate-transfer (BOT) has been facing a protracted period of lenders' apathy.

Lately, HAM has also hit a roadblock with only one project having been awarded under this model till January end in the current fiscal. In FY19, the projects awarded through HAM slowed down to around 880 km of 2,222 km of projects awarded by NHAI. This is majorly due to delays in Right of Way and financial tie-ups, India-Ratings had earlier said, adding that the appetite of the private players has reduced due to a large number of HAM projects bid out in FY18-FY19.

Project awards by NHAI in the 2018-19 fiscal dropped to its lowest in four years to 2,222 km from 7,400 km in 2017-18. In each of the previous two years, NHAI had awarded around 4,300 km highway projects. In the absence of private investments, there is a big and increasing reliance on EPC projects, which in turn burdens the fisc and contributes to rising overall public debt.

In recent times, NHAI has been battling many odds — its debt is mounting, its land acquisition costs have gone up four-fold over four years. Sitting on a ₹1.8 lakh-crore debt, as on March 2019, NHAI's debt-servicing obligation is on the rise. In the current fiscal, it has ₹5,573 crore debt-servicing obligation, ₹6,600 crore in FY21 and ₹40,000 crore in FY23. On top of that, it has to pay around ₹15,000-crore interest annually for its outstanding debt.

At present, around 35% of NHAI's annual expenditure goes into construction of national highways, 30% into acquisition of land, 16% in extending grant for projects under HAM, 15% in debt servicing and the remaining 4% into payment of annuity.

HAM came into being in 2015-16. Eight projects, measuring 343 km, were awarded in the first year, followed by 2,059 km in 2016-17. Project awards through HAM reached a peak in 2017-18 at 3,236 km. In 2018-19, it fell to 834 km. Under HAM, developers get 40% of the project cost upfront from the NHAI and remaining 60% over a period of 15 years.

In the Budget for 2020-21, NHAI has been given budgetary support of ₹42,500 crore, down from ₹36,391 crore (revised estimate) for 2019-20. It has also been given the nod to raise ₹65,000 crore from the market, down from ₹75,000 crore in 2019-20. Asset monetisation, which has been pegged at ₹10,250 crore for 2020-21, is critical for NHAI to meet its construction targets.

In the Budget, NHAI was also allowed monetise to dozen highway bundles with a length of 6,000 km. Experts say such monetisation exercise, including through InvITs, securitisation of toll receipts and TOT routes, could fetch around ₹60,000 crore by 2024-25.

In November 25, 2019, the Cabinet gave NHAI virtually an unfettered authority to make suitable changes wherever and whenever required in its asset monetisation programme through the TOT model.

ITC-invoices mismatch: Huge sums sought as GST credit denied

AMONG THE firms whose unmatched ITC claims have been blocked in their electronic cash ledger are social media giant Facebook. Godrej Housing, Duroflex are also among who have been hit by the policy. An email sent to Facebook remained unanswered.

An analysis by the GST department showed that as much as 39% or ₹2.5 lakh crore of ITC claimed by taxpayers in FY18 remained unmatched with the invoices uploaded by their suppliers. Though the gap had come down to 13% (₹1.7 lakh crore) in FY19, it was still very large and unacceptable to the department.

The government's stated intent behind the move is to curb credit claims based on fake invoices. The move could improve GST collections significantly for the next two months owing to increased cash payment by taxpayers and aid the government's efforts to bridge the perceived tax revenue shortfall (against the revised estimate in the Budget). However, experts said gains to the exchequer could gradually taper off as large number of missing invoices will get reconciled at a later stage. All unmatched invoices cannot be attributable to fraudulent practices, tax experts feel.

In October, the government inserted a a clause in GST rule saying that a taxpayer filing GSTR-3B (monthly summary return) can claim provisional input tax credit only to the extent of 10% of the eligible credit available in GSTR-2A. The eligible credit is only against those invoices which show up in a taxpayer's GSTR-2A, which is possible only if the said assessee's suppliers file and upload all relevant sale bills in their GSTR-1 (which contains details outward supplies).

If ITC claimed by a taxpayer in GSTR-3B for a given month is, say, ₹100 and the invoices uploaded by the suppliers were only worth ₹80, then ITC of ₹20 does not show up in GSTR-2A in the form of corroborating invoices. So, the total credit available to the taxpayer in this case will be ₹88 (that is, ₹80 + 10% of ₹80).

Another expert said that the variance between credit claimed in self-declared monthly GSTR-3B and GSTR-2A return could also arise from various issues including non-availability of qualified manpower to match invoices on a monthly basis, technical glitch in tax filings and the MSME filers filing GSTR-1 on a quarterly basis. Late filing of GSTR-1 also leads to mismatch as suppliers' invoices don't show up for matching. The compliance rate for GSTR-1 filing has hovered around 65-70% in recent months.

"Tax credit blockage by tax officers without any notice and hearing is spreading tax terrorism at the grass root level, although it is expected to pump up the revenue collections in February and March. However, this would be mitigated in succeeding months," Rajat Mohan, senior partner at AMRG & Associates said.

Additionally, the GST administration has also started clamping down on taxpayers which have not filed GSTR-3B for long periods of time by asking the assessees' bank to freeze their account.

Tax practitioners said that several such notices have been received by assessees. One such notice seen by FE has raised a payment demand on the bank branch used by Hyderabad-based assessee. It asked the banks to 'attach all the current/savings A/c./FDR/TDR and lockers' of the taxpayer who has failed to file GSTR-3B for 20 months and owes ₹1 crore in taxes.

Social media firms to be held liable for ads

THE COMPANIES have to provide information about originator of the unlawful content. The original draft had mentioned 72 hours for compliance, which was termed too long by many experts.

Once the rules are notified, instant messaging apps like WhatsApp have to provide traceability or originator of the messages on their platforms.

The government is also considering the option to link social media accounts with active mobile number of users but is yet to be decided if it would be optional or made mandatory. The revised guidelines are an attempt by the government to make social media firms more accountable. The government has on many occasions reiterated that while it is committed to freedom of speech and expression and privacy of its citizens; instances of misuse of social media by criminals has brought new challenges which need to be tackled.

The revised rules also propose that platforms need to deploy automated tools to remove, disable access to unlawful information or content. The new rules will apply to social media platforms having more than 5 million users and they need to have a permanent registered office in India and appoint a nodal point of contact for 24×7 coordination with law enforcement agencies.

Gold schemes: Bonds beat mop-up through monetisation

SO, THE government wants to further enhance the appeal of its monetisation scheme by revising some of its current features.

Analysts say the interest rate on gold parked with banks under scheme could now be raised from up to 2.5% (which varies depending on the tenure of deposits).

Indian households, together the world's largest hoarders of gold, are estimated to have piled up a record 24,000-25,000 tonnes of the precious metal, worth over $1.2 trillion.

However, a limited number of collection and purity testing centres (and their lack of desired efficiency), more so in rural areas, and the unwillingness of housewives to get jewellery having emotional appeal melted so that these can be deposited have dented the appeal of the gold monetisation scheme. With renewed push, though, the mop-up under the monetisation scheme can go up, said the analysts.

While gold imports were down by 15% up to July this fiscal, a sharp 93% spike in purchases from overseas in August 2019 had drawn policymakers' attention. However, such imports have since dropped.

Gold imports have been targeted in the past as well, as some analysts view it as an idle asset that doesn't contribute much to economic growth, unlike other products.

However, WGC (India) managing director Somasundaram PR had earlier told FE that any further curb on gold could jeopardise attempts to make gold a true asset class so that its benefits to the exchequer can be harnessed just like any other asset. Initiatives like monetisation and bullion banks would deliver results in the long run, he had said.

Radio goes online to fight audio-streaming platforms

THE CHANNELS have a combined subscriber base of eight million. "The consistent feature of our online radios is that they generate high listening time and engagement," Entertainment Network India CEO Prashant Pandey says.

Radio channels now view their marquee RJs such as Malishka, Raunac, Naved Khan and Sayema Rehman as influencers and content creators who are medium-agnostic. In fact, these influencers are part of the bouquet of advertising solutions that radio channels offer to advertisers.

Radio channels are also latching on to the trend of creating podcasts. Radio City, Radio Mirchi and Red FM are building a library of podcast content which is exclusive to their digital channels. Original content for digital platforms gives radio channels extra avenues for monetisation and brand integrations.

"In addition to the regular inventory, radio offers a combination of RJ mentions, on-ground activations that can also be broadcast live on radio and allows digital content integration. This makes radio a potent advertising medium for advertisers despite the rise of audio streaming platforms," says Sujata Dwibedy, group trading director, Amplifi India, Dentsu Aegis Network.

Radio, which has about a 5% share of the advertising revenue pie, is expected to earn ₹2,986 crore in ad revenue in 2020, as per a GroupM study. "The growth in ad revenue for radio stations is mainly coming from non-FCT (free commercial time) revenue growth from digital, content production, and other innovative advertising solutions," stated the 2019 FICCI-EY report. Panday says that one-third of Radio Mirchi's business comes from ad solutions and not FCT. In FY19, Radio Mirchi earned ₹10 crore in digital revenues.

Red FM, too, has been working with advertisers to devise integrated solutions that cut across mediums. "Brands prefer digital because they are looking for ROI on campaigns and it is easier to measure impact on digital," Narayanan points out.

However, in the absence of a strong measurement metric for radio, media planners rely on data provided by Radio Audience Measurement (RAM) which covers only the top metros, or the Indian Readership Survey. "But this does not give a complete picture of radio listenership across India given the depth and width of the coverage of radio channels," says Nayarayanan. Therefore, radio channels commission private studies to analyse their reach and listenership.

However, media planners are not deterred by the lack of a uniform measurement tool and use radio to attain the objective of frequency while running a campaign. "We find that radio brings very high engagement particularly because of the opportunity to offer gratifications and connect live with listeners," Dwibedy says.