

Vivad se Vishwas: MNCs will have to bring all disputed amount to India

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INDIVIAL DHASMANA
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The subsidiaries of multinational companies (MNCs) can settle their transfer pricing disputes under the proposed Vivad se Vishwas scheme, but they will have to bring the entire disputed money to India.

Or else, the money not brought into India will be considered as loan from subsidiaries on which interest has to be paid.

According to the amendments to the Direct Tax Vivad se Vishwas Bill, the settling of disputes regarding transfer pricing adjustment would not have any effect on secondary adjustment. Secondary adjustment is repatriation of an excess amount MNCs keep after tax officers make adjustments.

If an Indian subsidiary of an

EYEING A PIE OF ₹9.32 TRN AS... (₹ trillion)

	Corporation tax	Personal income tax	Total
Projection for 2019-20 (Revised Estimates)	6.1	5.6	11.7
Actual collections till December	3.7	3.2	6.9
Gap to be filled in three months	2.4	2.4	4.8

Sources: Budget papers, Controller General of Accounts, finance ministry



MNC provides some technical service to global headquarters, it shows in its books that ₹100 crore is given by headquarters to it and pays tax on it. However, transfer pricing officers arrive at a conclusion that the service rendered is to the tune of ₹110 crore and the subsidiary has to pay tax on ₹110 crore. Now, this

difference of opinion may be pending in some court or tribunal.

This can be settled by paying tax on ₹110 crore, but this entire amount will have to be brought to India. Otherwise, ₹110 crore will be taken as loan to the MNC by the subsidiary and interest will have to be paid on it at the rate of 6 per cent a year.

Alternatively, an all-time interest of 18 per cent, besides surcharge of 12 per cent, or a total of 20.16 per cent of ₹110 crore, can be paid and the case settled.

Amit Maheshwari, partner at Ashok Maheshwari & Associates, said: "Thus, the declarant shall be required to repatriate the funds to

India even if he goes for settlement."

The intention seems to offer relief only for litigation and not from repatriating the funds, said Maheshwari. The scheme offers interest waiver, penalty, and prosecution for settlement of these disputes pending before the commissioner (appeals), income tax appellate tribunal, high courts or the Supreme Court as of January 31, 2020.

While a complete interest waiver and penalty will be given in case of payments made by March 31, an additional 10 per cent of the disputed amount will have to be paid later.

In case of tax arrears pertaining to only disputed interest or penalty, 25 per cent of the disputed penalty or interest will need to be paid while settling appeals up to March 31, 2020, and 30 per cent if payment is made after that.

'Export incentives on rupee payment via Vostro account'



CHATROOM

T N C RAJAGOPALAN

We have made a shipment denominated in Indian rupees to the UK and the US. We have received payment through banking channels and our bank has informed us that the payment has been received through Vostro account. Can we claim MEIS benefits on this shipment against such receipts?

Yes. According to Para 2.52(b) of FTP, "export proceeds against specific exports may also be realised in rupees, provided it is through a freely convertible Vostro account of a non-resident bank situated in any country other than a member country of Asian Clearing Union (ACU) or Nepal or Bhutan. Additionally, rupee payment through Vostro account must be against payment in free foreign currency by buyer in his non-resident bank account. Free foreign exchange remitted by buyer to his non-resident bank (after deducting bank service charges) on account of this transaction would be taken as export realisation under export promotion schemes of FTP."

RBI Master Direction 16/2015-16 dated January 1, 2016 (as amended), also quotes this Para and says that there is no restriction on invoicing of export contracts in Indian rupees in terms of the Rules, Regulations, Notifications and Directions framed under the Foreign Exchange Management Act, 1999.

While affording us pre-shipment and post-shipment export credit

limits, our bank has insisted on charging us an interest rate of 10.5 per cent. This is based on their understanding that preferential export credit is available only to manufacturing exports and not merchant exports. Is it correct?

According to the RBI circular 2018-19/17 dated January 11, 2019, bearing reference DBR Dir BC No.22/04.02.001/2018-19, "it has been decided by the Government of India to include merchant exporters also, w.e.f. January 2, 2019, under the ongoing Interest Equalisation Scheme for Pre and Post Shipment Rupee Export Credit and allow them interest equalisation at the rate of 3 per cent on credit for export of products covered under 416 tariff lines identified under the Scheme".

We approach our bankers for grant of GR waiver for export of goods free of cost, say for sending goods as free replacement, or for testing abroad, or for repairs or as free samples. We are not clear what value we should declare for the goods. Should we declare commercial value of goods or declare notional value? Please clarify.

You should declare the value determined in accordance with Section 14 of the Customs Act, 1962, read with Customs Valuation (Determination of Value of Export Goods) Rules, 2007.

We refer to DGFT PN 55 dated January 3, 2010, extending the period for seeking extension of first block and final EO period of EPCG authorisations till end-March this year. What will be the treatment of export shipments made between date of expiry of the EPCG authorisation and date on which request was made for extension in time period for fulfillment of EO? That PN does not extend the first block or final EO period. It only relaxes the period within which you can ask for extension of the first block or final EO period.

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RBI receives ₹1.23-trn bid for ₹25K-cr LTRO

ANUP ROY
Mumbai, 24 February

The Reserve Bank of India (RBI) on Monday received bids worth ₹1.23 trillion for ₹25,000 crore on offer for its one-year long-term repo operations (LTRO).

In the auction for three-year maturity liquidity operations made last week, the RBI had received bids worth ₹1.94 trillion for ₹25,000 crore on offer. On Monday's auction, the RBI received 52 bids, which the RBI allotted on a pro-rata basis.

The idea behind the LTRO, and also relaxations on cash reserve ratio (CRR) for incremental lending to the retail and micro, small and medium enterprises, announced as a policy measure on the same day, is to bring down the cost of



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funds for banks without necessarily lowering the deposit rate. The banks can then lower the lending rate, and extend credit at a cheaper rate.

The central bank plans to go for ₹1 trillion worth of LTRO for now.

CRISIL downgrades PNB Housing's deposits to AA+ on poor asset quality

ABHIJIT LELE
Mumbai, 24 February

Rating agency CRISIL on Monday downgraded PNB Housing Finance's fixed deposits from AAA to AA+ due to weakening of asset quality, as several big-ticket developers have defaulted on payments. Also, the size of equity-raising plan is lower than envisaged.

PNB Housing stock closed 2.7 per cent lower at ₹405.85 per share on the BSE.

According to analyst call transcript after the announcement of third quarter results, the housing finance company raised over ₹7,500 crore via deposits during the nine



months of 2019-20. These deposits are sticky in nature, with tenure ranging between 30 and 36 months and a healthy high double-digit renewal rate. Deposits stood at ₹16,470 crore, which is 19 per cent of total financial resources at the end of December 2019.

CRISIL in a statement

said the long-term rating was downgraded from AA+ to AA. It also revised the outlook to 'stable' from 'negative'.

In July 2019, CRISIL had revised the rating outlook to 'negative'.

In terms of asset quality, its gross non-performing asset (GNPA) ratio deteriorated to 1.75 per cent in December 31, 2019, up from 0.48 per cent in March 31, 2019.

The retail on-balance sheet loan book has witnessed a marginal uptick in delinquencies in early buckets, but remains in control. The increase in overall GNPA was mainly on account of

slippages from some large developer accounts.

PNB Housing's fundraising ability has remained intact over the past six-nine months and it is continuing to maintain high on-balance liquidity.

Further, CRISIL notes that the management intends to recalibrate its growth strategy, keeping in mind the capital availability. The company will also increase the share of retail book due to challenges in the wholesale book.

To further reduce leverage, the firm had planned to raise ₹2,000 crore of equity by March 2020. However, the equity raise is expected to be lower at ₹1,500 to ₹1,600 crore, CRISIL said.

TENDER CARE

S. S. Bose takes charge as Executive Director (Regional Services), Western Region, IndianOil



S. S. Bose has taken charge as Executive Director (Regional Services) Western Region, IndianOil, Mumbai which caters to the service needs of five states, viz. Maharashtra, Gujarat, Madhya Pradesh, Goa and Chhattisgarh. With more than three decades of rich and diverse experience across the key regions of the country including the North East Mr. S. S. Bose brings with him a rich experience in Supply logistics, International trade & Commerce. He played a key role in guiding the decade old business relationship between NOC (Nepal Oil Corporation) and IOC to greater heights and construction and operationalisation of the first cross border oil pipeline in Asia between Motihari in India and Amlekhgunj in Nepal.

UCO Bank, SREI Equipment Finance to co-lend through iQuippo platform

UCO Bank, one of India's premier public sector banks, and SREI Equipment Finance Limited ("SREI Equipment"), a wholly-owned subsidiary of Srei Infrastructure Finance Limited ("SREI"), announced a strategic alliance to offer joint loans for purchase of construction and mining, farm and medical equipment under a co-lending arrangement.



iQuippo, a Kanoria Foundation initiative, will facilitate sourcing of loans under this programme. The partnership will allow UCO Bank and SREI Equipment to collaborate, co-operate and widen their respective markets and customer base. The strategic alliance will also allow both lenders to leverage each other's customers and cross-sell their products.

MD NRL honoured with PSU Leadership Award



Managing Director, Numaligarh Refinery Limited, Mr. S K Barua has been honoured with 'The PSU Leadership Award' at the 7th PSU Awards function of Governance Now held in New Delhi on 19-02-2020. The award was presented to him by Hon'ble Union Minister of State for Heavy Industries and Public Enterprises, Shri Arjun Ram Meghwal. NRL also won the award for Environment and Sustainability, Investment in Start ups. Governance Now is a fortnightly publication on public policy and national affairs from SAB group. The PSU Awards instituted by them has been recognizing and honouring the efforts of PSUs that have been key to the country's economic growth and social development.

Commercial Feature

OBC, Vadodara celebrated its 78th Foundation Day

Oriental Bank of Commerce, Circle Office Vadodara celebrated its 78th Foundation day on Wednesday 19.02.2020. Bank celebrated the day in the august presence of customers & retired employees. Bank distributed necessary items to the needy children of Blind School, Orphanage,



New born at Sayaji Hospital etc. Sh. Dilip Kedar, Circle Head was present during the celebration with esteemed customers, retired employees & other officials of the Bank.

18th Edition of NALCO Lecture

Dr. Subramanian Swamy, eminent economist and Hon'ble Member of Parliament has delivered the 18th Edition of NALCO Lecture Series on 'Relevance of PSUs in Shaping New India', here at Bhubaneswar on 22.02.20. In his speech, Dr. Subramanian Swamy stressed that the Public Sectors of India have crucial role to play in shaping New India. He said: "The Public Sectors are important for the development of India and these sectors need to be encouraged to prosper. The PSUs should be given freedom to take decisions and operate in sync with the market dynamics." He stressed that Public Sectors should move beyond profit making and should focus on the multi-dimensional objectives. He also appreciated NALCO's contribution, as an integrated business entity, towards Indian aluminium sector in particular and Indian Economy as a whole. While delivering the welcome address, Shri Sridhar Patra, CMD, said that as a Central Public Sector, NALCO has always given priority to boost the country's economy and serve the interest of the Nation through continuous improvement in production, productivity and profitability and also works beyond profitability for promoting social and economic development through its CSR arm.

5th edition of The Pulses Conclave



India Pulses and Grains Association (IPGA), the nodal body for India's pulses trade and industry successfully hosted the 5th edition of THE PULSES CONCLAVE 2020, a three day mega event for the global pulses trade and industry during February 12th -14th, 2020 at Aamby Valley, Lonavala, Maharashtra. Over 500 delegates from India and across 10 countries including Australia, Canada, Myanmar, Ethiopia, Uganda, Tanzania, Mozambique, Malawi, Russia, Turkey to name a few participated in the Conclave. Key dignitaries present were Shri Sanjeev Chadha, MD - NAFED; Shri Sunil Kumar Singh, Addl. MD - NAFED; Mr. David Marit, Hon'ble Minister of Agriculture, Government of Saskatchewan, Canada; Mr. Rick Burton, Dy. Minister of Agriculture, Government of Saskatchewan, Canada; Shri Ashish Bahuguna, Former Secretary - Agriculture and Former Chairperson - FSSAI, Ms. Cindy Brown, President - Global Pulses Confederation.