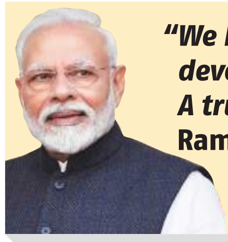


"We have readied a scheme for the development of Ram Temple in Ayodhya. A trust has been formed, it is called Shri Ram Janambhoomi Teertha Kshetra"
NARENDRA MODI
Prime Minister

"A scare is created as if the CAA is a threat to Muslims. CAA is no threat to Muslims, if they face trouble (due to the law), I will be the first person to raise voice for them"
RAJINIKANTH
Actor

"Dear PM, The economy has imploded & you must be racking your brains on how to avoid the blame. Use the useless Budget presented by clueless Nirmala Ji. Sack her and dump the blame on her"
RAHUL GANDHI, Congress leader

Bill to resolve tax disputes tabled in Lok Sabha

DILASHA SETH
New Delhi, 5 February

Finance minister Nirmala Sitharaman on Wednesday introduced a Bill in the Lok Sabha to give effect to the Budget announcement to resolve direct tax disputes involving an aggregate ₹9.32 trillion as on November 30, 2019.

The Direct Tax Vivad se Vishwas Bill, 2020, offers waiver of interest, penalty and prosecution for settlement of these disputes. They will have to be pending before the commissioner (appeals), Income Tax Appellate Tribunals (ITATs), high courts or the Supreme Court as on January 31, 2020.

While a complete waiver of interest and penalty will be given in case of payment made by March 31, an additional 10 per cent of the disputed amount will have to be paid after that. The scheme will apply to cases irrespective of whether demand in such cases is pending or has been paid. The pending appeal may be against disputed tax, interest or penalty in relation to an assessment or reassessment order or against disputed interest or fee. In fact, the appeal may even be against tax determined on defaults in respect to tax deducted or collected at source.

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. It will be 30 per cent if the payment is made after that.

The Budget scaled down the direct tax collection target to ₹11.7 trillion in the revised estimates for FY20 from ₹13.35 trillion given in the Budget estimates. Even this would require a 2.9 per cent growth year-on-year. Introducing the Bill, Sitharaman said the scheme will reduce litigation expenditure for the government and may help in generating some revenue. She added that the Bill emphasises on trust building and provides a formula-based solution without any discrimination.

In her Budget speech on February 1, Sitharaman had announced a scheme to resolve 483,000 direct tax disputes pending in various tribunals.

Sitharaman had similarly announced the scheme – Sabka Vishwas Scheme – in her first Budget last year to reduce litigation in indirect taxes. It resulted in settling over 1,89,000 cases.

Preparing groundwork for the direct tax resolution scheme, the Central Board Of Direct Taxes (CBDT) asked its offices across the country to provide data on pending appeals in high courts by next week. "In order to implement the scheme, the CBDT needs database on such litigations pending at the high court level," the communication to the commissioners read.

It is, therefore, requested that data on pending appeals at high courts, as on January 31, 2020, be obtained with the help of the court registry. The amount of ₹0.32 trillion in tax disputes as on November 30, 2019 (cited above), almost equals direct tax collections of ₹11.37 trillion in 2018-19.

The Bill says that tax disputes consume copious amounts of time, energy and resources both on the part of the government as well as taxpayers and deprives the government of timely collection of revenue. "Therefore, there is an urgent need to provide for resolution of pending tax disputes. This will not only benefit the government by generating timely revenue but also the taxpayers. They will be able to deploy time, energy and resources saved by opting for such dispute resolution towards their business activities."

The scheme will not apply to prosecution cases under the Indian Penal Code (IPC), the Prevention of Money Laundering Act (PMLA) and the Prohibition of Benami Property Transactions Act. Besides, the disputed tax amount should not relate to undisclosed foreign income, assets, assessment or reassessment.

Rakesh Nangia, chairman, Nangia Andersen Consulting, said it can be a beneficial scheme for settlement of cases such as addition of unexplained cash deposited during demonetisation.

He added, "It would be beneficial to such taxpayers, to pay the tax amount and settle the disputes without imposition of interest and penalty." Neeru Ahuja, partner, Deloitte India, said that the timelines seem quite sharp and the workings will need to be done at the earliest to meet the March 31 deadline.

Amit Maheshwari, managing partner, Ashok Maheshwary & Associates, said the order passed by the designated authority determining the amount payable will be final.

No further recourse in terms of appeals, arbitration, mediation or conciliation will be available to the taxpayer.

THE LOWDOWN

Who will escape scrutiny
- Scheme, open till June 30, offers complete waiver of interest and penalty, if payment made by Mar 31
- Additional 10% of tax amount to be paid if payment made after Mar 31
- For tax arrears pertaining to interest and penalty, 25% of disputed penalty/interest will have to be paid by March 31 and 30% if payment made after that

Won't apply to...
- Tax arrears related to assessments in nature of search and requisition
- Cases where prosecution has been instituted
- Tax amount related to undisclosed foreign income, assets

IN BRIEF

Unemployment rate at 6.1% in 2017-18: Govt

Unemployment rate in the country, according to a new survey, was 6.1 per cent in 2017-18, the government informed the Rajya Sabha on Wednesday. Minister of State for Labour Santosh Gangwar said the government is conducting a new Periodic Labour Force Survey with new parameters and bigger sample size, and its results cannot be compared with previous surveys in this regard. "As per the new Periodic Labour Force Survey being conducted by the government, the labour force participation is 36.9 per cent and the rate of unemployment for 2017-18 is 6.1 per cent," he said. PTI

654 Indian-owned firms employ over 174,000 in UK: Report

Indian diaspora-owned firms in the UK with a combined revenue of £36.84 billion employ over 174,000 people and pay over £1 billion in corporation tax, according to a first-of-its-kind research. PTI

Govt to finalise PSU insurers' merger by March: Finance secy

The government aims to complete merger of three state-owned general insurance firms — National Insurance, United India Insurance, and Oriental Insurance — by the end of March, Finance Secretary Rajiv Kumar said. PTI

Govt: Surplus land of CPSEs to be sold at market rate

The Centre on Wednesday said the disinvestment process of Central Public Sector Enterprises (CPSEs) will be done in a transparent manner and surplus land of such units would be sold at commercial rates to states or any private party. PTI

$118.3 bn received in remittances since 2018-19: Centre

An estimated 13.62 million Indians are staying abroad and $118.3 billion has been received as remittances since April 2018 up to September last year, the government informed Lok Sabha on Wednesday. PTI

50 mn farmers yet to get 3rd payment of PM-Kisan: Data

Over 50 million farmers were yet to get the third instalment of money under the Centre's ambitious PM-Kisan scheme, aimed at providing direct support of ₹6,000 annually to them, according to data. The total amount is to be paid in three equal instalments of ₹2,000 every four months. PTI

Middle class 'trained enough' to pick right option: Rajiv Kumar

NITI Aayog Vice Chairman Rajiv Kumar said the middle class is "trained enough" to decide which personal income tax option is good for them and exuded confidence that their propensity to save will not come down. PTI

Fitch says Budget was light on new structural reforms

The Union Budget for 2020-21 was light on new structural reforms, Fitch Ratings said on Wednesday, adding it has not materially altered its forecasts for India's growth to rise to 5.6 per cent in FY21, from 4.6 per cent in 2019-20. PTI

Hopeful of listing LIC next fiscal year, says DEA secy

The government is hopeful of selling minority stake in LIC in the next fiscal year, Economic Affairs Secretary Atanu Chakraborty said. It would take 8-9 months to prepare accounts and do the required legal tweaking before an IPO could be launched, he said. PTI

Fairfax-backed CSB Bank to open 100 branches a year

Fairfax Holdings-backed CSB Bank will open about 100 branches each financial year in the medium term, C V Rajendran, its MD and CEO, told *Business Standard*. These will be opened in areas with gold loan, agri & MSME, and current and savings account potential. ABHIJIT LELE

Indiabulls Housing pre-tax profit falls 55% in Q3

Indiabulls Housing Finance reported a 55 per cent fall in pre-tax profit at ₹613 crore in Q3, against ₹1,387 crore in the year-ago period as both net interest income and revenue saw a decline. BS REPORTER

FC to set up panel on debt, fiscal situation this month

May include members of former FRBM committee

ARUP ROYCHOUDHURY & INDIVJAL DHASMANA
New Delhi, 5 February

The Fifteenth Finance Commission (15th FC) will set up a panel later this month to examine the fiscal and debt situation of the Centre and states and present a road map, on the lines of the erstwhile Fiscal Responsibility and Budget Management panel, the Commission's Chairman N K Singh said on Wednesday.

The panel may include or seek inputs from former Reserve Bank of India Governor Urjit Patel, former chief economic advisor Arvind Subramanian, Sajjid Chinoy of the Prime Minister's Economic Advisory Council, Rathin Roy of National Institute of Public Finance and Policy, and Prachi Mishra of Goldman Sachs, among others.

"One of the terms of reference of the Commission is to address the issue of general government, the consolidated fiscal deficit and debt and so on. So, after my meeting with the 15th FC's economic advisory council on February 13, I intend to constitute a committee under my chairmanship, since I had the chairmanship of the FRBM Committee," Singh said.

Singh said the panel will include representatives from the Controller General of Accounts, the Indian Civil Accounts Service, state expenditure departments, and other central and state bodies, as well as domain experts.

"The aim will be to come up with a report to address the terms of reference given to the Commission," said Singh.

The terms of reference say: "The Commission shall review the current status of the finance, deficit, debt levels, cash balances and fiscal discipline efforts of the Union and the states, and recommend a fiscal consolidation roadmap for sound fiscal management, taking into account the responsibility of the central government and state governments to adhere to appropriate levels of general and consolidated government debt and deficit levels, while fostering higher inclusive growth in the country, guided by the principles of equity, efficiency and transparency."

The panel will submit its report to the 15th FC, which may include those recommendations in its second report, expected to be submitted in October, and will make recommendations for the period 2021-22 (FY22) to FY26.

"The panel will see whether we are compliant with terms of reference. One of the overarching issues that the Commission is expected to weigh in on is the path, issues and factors of the debt and fiscal deficit of Centre and states to be compliant with the FRBM Act," Singh said.

The panel, and hence the 15th FC, is also expected to take a look at Article 293(3) of the Constitution, which says a state cannot raise any loan without the Centre's consent if there is an outstanding loan made by the Centre to the state.

"I did not touch upon this in the FRBM Committee because that mostly focused on the Centre's finances," Singh said. When asked if he would invite his former colleagues from the FRBM Committee to be part of the panel, Singh replied in affirmative.

"Roy is here in Delhi, Subramanian is abroad, but has views on fiscal consolidation. I might want to hear Patel, and some experts like Chinoy and Mishra," Singh said.

The FRBM Committee comprised of Singh, former finance secretary Sumit Bose, Patel, Subramanian, and Roy. The committee, which submitted its report to former finance minister Arun Jaitley before the 2017-18 Budget, had recommended a fiscal deficit target of 2.5 per cent of gross domestic product, and revenue deficit of 0.8 per cent for fiscal year 2022-23.

Other recommendations included setting up a fiscal council and giving the government tightly defined escape clauses to enable any deviation from the roadmap. Subramanian had drafted a dissent note, which was part of the panel's report.

Finance Minister Nirmala Sitharaman used the escape clauses to revise the budgeted fiscal deficit target of 2019-20 and the medium-term forecast for 2020-21 by 0.5 percentage points each. The Centre now sees fiscal deficit at 3.8 per cent of GDP for FY20 and 3.5 per cent for FY21.

In its first report – for FY21 – the 15th FC has recommended the creation of an overarching legal fiscal framework to improve and overhaul budgeting at the central and state level, as well as provide greater budgetary transparency.

Mirroring the FRBM Act, this would also define the roles and responsibilities of key stakeholders, as well as the budgeting, accounting, internal control and audit standards to be followed at all levels of government. The first report was tabled in Parliament on February 1, along with the Budget.

N K Singh, chairman of the 15th Finance Commission, will head the panel

THE ROAD AHEAD
- Committee may recommend fiscal road map for Centre and states
- May include or take inputs from Urjit Patel, Arvind Subramanian, and others
- Will have representatives from CGA, ICAS
- Panel will submit its report to the 15th Finance Commission

MFs and traders look for cues on Operation Twist

LEADING GAINERS
Exposure to government securities has impacted scheme returns

Dynamic funds	3-month return (%)	G-secs (% of NAVs)
ICICI Pru All Seasons	3.10	34.97
Axis Dynamic Bond Fund	2.93	22.57
Quantum Dynamic Bond Fund	2.73	25.17
IDFC Dynamic Bond Fund	2.66	98.91
SBI Dynamic Bond Fund	2.45	18.45
DSP Strategic Bond Fund	2.31	78.8
Kotak Dynamic Bond Fund	2.24	33.67

Note: Dynamic funds take exposure across duration
Source: Value Research, factsheets, as of December 31, 2019

JASH KRIPLANI
Mumbai, 5 February

Debt fund managers and traders will closely monitor the Reserve Bank of India (RBI) for cues on Operation Twist as factoring in timing and quantum of these market operations has become key to optimising portfolio returns with long-term yields susceptible to sharp easing from these measures.

Operation Twist is a market term for special open market operations (OMO) conducted by RBI, where it buys long-term government bonds and sells short-term ones.

RBI has conducted the operation four times so far. However, the central bank bought more bonds than it sold, which is akin to the traditional OMO purchases in which it directly buys dated bonds from the secondary market. The first such special OMO operation was announced on December 19.

"This is the first monetary policy after Operation Twist was announced. So far, RBIs intervention has not been anchored to any stated objective — targeting yield curve or spread compression. This can lead to sharp variations in performances between funds with higher exposure to longer-tenure government securities (G-secs) and those with lower exposure," said Arvind Chari, head-fixed income and alternatives, Quantum Advisors.

Fund managers say the RBI intervention in markets will be easier to monitor if it is pegged to reaching a particular threshold on absolute long-term yields, or alternatively focused on bringing down the spreads to a level such as 100 basis points (bps), from 135 bps at present.

"With RBI's routine OMO, markets have some predictability as these are usually linked with structural liquidity. But, with Operation Twist there is not yet any quantifiable measure to gauge the interventions," said a fund manager.

"Some participants expect operations to continue, some have doubts. RBI's post-policy comments will help take an informed view," said A Prasanna, head of research at ICICI Securities Primary Dealership.

Anup Roy contributed to the story

YES Bank CEO taps 'mentor' to raise $2 bn

BLOOMBERG
5 February

YES Bank has picked Cantor Fitzgerald, IDFC Securities and Ambit to help the lender raise as much as $2 billion for bolstering capital buffers, people with knowledge of the matter said.

The bank, staggering under the weight of soured loans, has been plagued by worries about its asset quality and uncertainty about efforts to raise new capital. It's trying to shore up a core equity capital ratio that's barely above a regulatory minimum of 8 per cent.

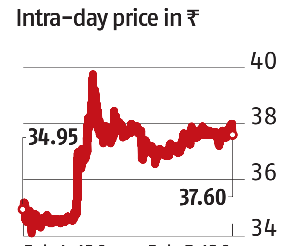
The lender's shares surged the most since November 27 on Wednesday as investors were encouraged by the move to pick bankers, while its 2023 dollar bond gained the most since January 15. YES Bank, led by Chief Executive Officer Ravneet Gill (*pictured*), has lost more than 80 per cent of its market value in the past year on concerns about its ability to raise funds.

"As credibility and sentiment get eroded, time is running out for the bank to raise capital," according to Bloomberg Intelligence analyst Diksha Gera.

"With the bankers for fund raising in place YES Bank needs to move quickly to avoid panic among credit investors, which could cause unwanted liquidity pressure." Cantor Fitzgerald is led by Anshu Jain, the former co-chief executive officer of Deutsche Bank AG until 2015, while Gill headed the German bank's Indian operations before he joined YES Bank last year. *The Economic Times* reported the appointment of the banks earlier.

A spokesman for YES Bank and spokeswoman for Ambit declined to comment about the fund raising plans. A representative for IDFC Securities and spokeswoman for Cantor didn't immediately respond to emails seeking comment.

HOW THE STOCK MOVED ON BSE
Intra-day price in ₹



Ex-director writes to RBI, seeks Gill's removal

PRESS TRUST OF INDIA
New Delhi, 5 February

Former YES Bank independent director Uttam Prakash Agarwal has demanded appropriate action against the lender's CEO and MD Ravneet Gill for allegedly violating various regulatory norms. Agarwal, who was independent director in 2018, resigned from the board of YES Bank last month citing deteriorating standard of corporate governance at the private sector lender.

In a letter to RBI Governor Shaktikanta Das, Agarwal alleged breach of governance, non-compliance, undue influence and control on the majority members of the board by Gill through quid pro quo.

The letter also alleged there has been substantial erosion in the market capitalisation (m-cap) of about ₹40,000 crore since Gill took over as the managing director.

The m-cap of the bank was ₹55,000 crore on March 1, 2019, the date when Gill joined. The m-cap as on January 29, 2020, is ₹11,000 crore, it said.

By use of various unethical means, Gill has been able to effectively control the majority of board members and Key Management Personnel (KMP).

The CEO seems to be knowing the weak points of KMP of the bank, it said.

HPCL reports 144% rise in pre-tax profit

AGENCIES
New Delhi, 5 February

Hindustan Petroleum Corp (HPCL) on Wednesday reported a 144 per cent rise in profit before tax at ₹1,150.84 crore in the quarter ended December 2019 (Q3FY20) over the same period in FY19. It saw its net profit treble in the quarter as inventory gains made up for lower refinery margins.

Net profit in October-December at ₹747 crore was higher than net profit of ₹248 crore in the same period a year back, HPCL Chairman and Managing Director Mukesh K Surana told reporters here.

"In Q3 of the last fiscal we had an inventory loss of ₹3,465 crore. As compared, we made an inventory gain of ₹343 crore," he said, adding the inventory gains were partly offset by lower exchange gains.