

20 ECONOMY

CRUDE WATCH
SAUDIS FLOOD MARKETS WITH \$25 OIL
Moscow: Saudi Arabia is flooding markets with oil at prices as low as \$25 per barrel, specifically targeting big refiners of Russian oil in Europe and Asia, in an escalation of its fight with Moscow for market share, five trading sources said on Friday. **REUTERS**

INFOSYS ASKED TO PROVIDE BETTER GSTN SYSTEM BY JULY 2020

GST rate for mobiles hiked to 18%, next meet to focus on compensation payout

ENSECONOMIC BUREAU
 NEW DELHI, MARCH 14

A TAX rate hike for mobile phones to 18 per cent from 12 per cent to correct the inverted rate structure, a deadline to Infosys to resolve technological glitches by July this year, and a call for a special session by April-end to look into the legality of option of market borrowing to pay states in view of compensation cess shortfall were some of the key decisions taken in the 39th meeting of the Goods and Services Tax (GST) Council on Saturday. The impact of COVID-19 on the economy was also discussed in the meeting. Finance Minister Nirmala Sitharaman said, adding the government is trying to assess the economic impact of the outbreak and is in talks with the industrial and the services sectors.

The Council also slashed GST on maintenance repair overhaul (MRO) services for aircraft to 5 per cent from 12 per cent with full input tax credit (ITC) and change the place of supply for B2B MRO services to the location of recipient, while GST on handmade and machine-made matchsticks has been clubbed to a single rate of 12 per cent from 5 per cent and 18 per

EXPLAINED

E Compliance measures relaxed

SEVERAL COMPLIANCE-RELATED measures were eased, even as the GST Council changed inverted rate structure by hiking tax rate for mobiles to 18 per cent, keeping the proposed correction for other sectors such as fertilisers, textiles and footwear on hold as states raised concerns over a rate hike during economic slowdown. The slowdown's impact on revenue will also dominate the next Council meeting, where compensation cess shortfall and the option to explore market borrowing will be in focus.

cent earlier, respectively.

"There were suggestions recalling what late Arun Jaitley had said about there can be ways that the Council can probably even borrow from the market. So all this was discussed and I have very clearly said that I am committed to giving the compensation as is being collected...shall look at how if at all the Council is allowed to borrow — who stands guarantee for it, how will it be paid, what's the interest that will be given — all these things will have to be legally looked into. So I have told the

Council today that I will have to look at all these things, get more information, legally get the opinion and then come back to the Council as to what I have in my hand. I also said if the Council have to go borrowing I will also have to see what the impact of such a thing will be on the FRBM," Sitharaman said.

As per the data for April-February shared at the GST Council meeting, the revenue gap between the protected revenue and the revenue accrued to states has increased to 23 per cent from 14 per

REVENUE GAP DURING APRIL-FEBRUARY

State/UT	2018-19	2019-20
AP	-48	-81
Sikkim	-10	-17
Telangana	1	12
Andhra Pradesh	-2	13
Uttar Pradesh	7	15
Maharashtra	6	16
Tamil Nadu	7	18
West Bengal	10	18
Jharkhand	15	22
Madhya Pradesh	16	25
Bihar	20	26
Gujarat	15	26
Karnataka	21	29
Kerala	16	29
Delhi	23	30
Himachal Pradesh	37	41
Punjab	38	46
Average*	14	23

*Includes data for 31 states/UTs; figures in %
 **Negative value denotes surplus
 Source: GST Council

cent on an average. Punjab and Himachal Pradesh are among the worst performers, with the revenue gap rising to 46 per cent and 41 per cent, respectively. Northeastern states are faring better with

revenue surplus, while Andhra Pradesh has slipped to a revenue gap of 13 per cent from revenue surplus of 2 per cent last year.

This year, Rs 80,000 crore has been collected as compensation cess, but states have been given Rs 1.2 lakh crore. GST authorities expect a compensation cess shortfall to be around Rs 48,000 crore this year and the compensation payout for December-January is already delayed, while only part payment has been done for October-November.

A series of compliance related measures were also announced, including waiver of late fee for delayed filing of annual returns for FY2018, FY2019 by entities with a turnover of less than Rs 2 crore. It was also clarified that interest will be levied on net tax liability from July 1, 2017 for delayed GST payments instead of gross basis for which the law will be amended accordingly to effect the change retrospectively. The FM said the Council has asked Infosys to deploy more skilled manpower, raise capacity of hardware of GST Network to ensure the system is glitch-free. The Council has asked Infosys, which has designed the GSTN, to provide a better GSTN system by July 2020, she added.

ENSECONOMIC BUREAU
 MUMBAI/NEW DELHI, MARCH 14

THE GOVERNMENT has notified the new board of Yes Bank with Sunil Mehta, former PNB non-executive chairman, as non-executive chairman and Mahesh Krishnamurthy and Atul Bheda as non-executive directors under the reconstruction scheme. In addition to State Bank of India and four private lenders, which have committed capital infusion, two more private banks — Bandhan Bank and Federal Bank — announced they would be investing Rs 300 crore each in the stressed private lender, taking the total equity investment to Rs 10,950 crore.

It has also notified that Prashant Kumar, former CFO and deputy managing director of State Bank of India and currently the Administrator of Yes Bank, will be the new MD and CEO of the bank under the scheme.

According to the scheme approved by the government, the office of the Administrator of the reconstructed bank, appointed by the RBI, "will stand vacated immediately after seven calendar days from the date of cessation of moratorium". The moratorium on Yes Bank will be lifted by March 18. The investor bank will nominate two officers as directors in addition to the members approved by the government. "The RBI may appoint one or more persons as additional directors as it may consider necessary. Any investor who is permitted to have voting right of 15 per cent will have the right to nominate one director on the board," says a gazette notification.

3-year lock-in for shareholders

Mumbai: Investors who hold more than 100 shares in Yes Bank won't be able to sell shares for three years, as per the reconstruction scheme. The lock-in will be applicable to new as well as existing shareholders.

"There will be a lock-in period of three years from the commencement of the scheme to the extent of 75 per cent of shares held by existing shareholders on the date of commencement of the scheme and shares allotted to the investors under the scheme," the scheme says.

"The said lock-in period will not apply to any shareholder holding less than 100 shares."

The bank also said 75 per cent of the shareholding of the shareholders holding 100 or more shares will be automatically under the lock-in.

"Accordingly, all shareholders holding 100 or more equity shareholders are advised to exercise utmost caution while dealing in the scrip of the bank," the bank said in a stock exchange filing.

Yes Bank shares closed 2 per cent higher at Rs 25.55 on the BSE on Friday. **ENS**

The reconstruction scheme says that an investor, other than the investor bank (SBI), may exercise voting rights to the extent of its shareholding or nine per cent of the total voting rights of all the shareholders of reconstructed bank or as may be decided by the RBI, whichever is lower.

It says the investor bank and investors who have subscribed to the shares of the reconstructed bank under the scheme will not be liable to pay capital gains tax for any deemed profits or gains on account of such subscriptions. "All the deposits with and liabilities of the reconstructed bank, except as provided in the scheme, and the rights, liabilities and obligations of its creditors, will continue in the same manner and with the same terms and conditions," the scheme says.

"All employees of the recon-

structed bank will continue to be employees of the reconstructed bank with the same remuneration and on the same terms and conditions of service, including terms of determination of service and retirement, as were applicable to such employees immediately before the commencement of this scheme, for a minimum period of one year," it says.

ICICI Bank, HDFC, Axis Bank and Kotak Mahindra Bank on Friday said they will join the SBI-led consortium and invest in Yes Bank. ICICI Bank and HDFC will invest Rs 1,000 crore each, Axis Bank will invest Rs 600 crore, and Kotak Mahindra Bank Rs 500 crore. On Thursday, SBI said it will invest Rs 7,250 crore in Yes Bank, which is much higher than the Rs 2,450 crore it had planned initially for a 49 per cent stake in the private sector lender.

BRIEFLY

NCLAT officiating chairman

New Delhi: The government has appointed Justice Bansi Lal Bhat the officiating chairperson of the National Company Law Appellate Tribunal (NCLAT). NCLAT Chairperson Justice Sudhansu Jyoti Mukhopadhyaya retired on Friday. The appointment of Justice Bhat, a former judge of the Jammu and Kashmir High Court, is "for a period of three months with effect from 15.03.2020 or until a regular Chairperson is appointed or until further orders, whichever is earliest."

IndiGo to cancel some flights to UAE

Mumbai: IndiGo on Saturday said it will cancel some of its flights to the UAE after the Gulf country announced that it would suspend all entry visas, except diplomatic visas, from March 17 in view of the coronavirus pandemic. **PTI**

Apple to close retail stores worldwide

Bengaluru: Apple Inc said late on Friday it will close all its retail stores, except those in Greater China, for the next two weeks to minimise the risk of coronavirus transmission. **REUTERS**

'Credit pressures on India Inc have intensified post COVID-19'

Credit pressures have intensified on India Inc as the coronavirus spread deepens in India and across the globe, leading domestic credit ratings agency Crisil said



WORST HIT

Airlines, hotels, malls, multiplexes and restaurants

GOVT RESPONSE

The government has suspended visas till April 15, barring a few cases, and state governments have adopted strategies like closing cinema halls

Clampdowns are increasing both within and outside India, which would curtail consumer mobility and lead to deferral of spending

Demand for eggs and poultry could also be impacted

Information technology sector can also be affected because of physical restrictions
 Profitability to be impacted

Lower business volumes and occupancies, and suboptimal efficiencies will impact the profitability of companies

COST CUTTING
 While some affected companies may initiate cost-cutting measures, these may not be enough given high fixed costs

Near-term liquidity is critical for ensuring confidence in timely debt servicing as businesses adjust to the fast-changing operating environment

875 companies it has ratings on can get impacted because of the coronavirus-related troubles, the agency said
 Source: Crisil/PTI

Excise duty on petrol, diesel hiked by ₹3/litre

ENSECONOMIC BUREAU
 NEW DELHI, MARCH 14

THE GOVERNMENT on Saturday announced a Rs 3 per litre hike in excise duties on both diesel and petrol in an attempt to mop up more revenue, even as falling demand on the back of the coronavirus outbreak and price wars between oil supplying countries have brought down retail fuel prices by about Rs 5 per litre since the start of the year.

A government notification said the special excise duty on petrol was hiked by Rs 2 per litre to Rs 10 per litre and to Rs 4 per litre for diesel. Road cess on both petrol and diesel has also been increased by Re 1 per litre to Rs 10 per litre, the notification added.

The increase is expected to push up petrol and diesel prices, which have fallen by about Rs 2

per litre each since late February. Post the hike, the total excise duty on petrol has risen to Rs 22.98 per litre and that on diesel has risen to Rs 18.83 per litre. Central and state taxes account for 54 per cent of the price of petrol and 45 per cent of the price in Delhi after the hike.

Government sources claimed the benefit of crude price reduction has been passed to consumers over the last few months and that this step of increasing duty has been taken to raise some revenue in view of a tight fiscal situation. Sources added this would help in generating the resources for the development of infrastructure. The government had earlier hiked the excise duty, and road and infrastructure cess for petrol and diesel in July 2019.

Sunil Kumar Sinha, principal economist at India Ratings and Research, said the hike was in

line with measures taken when oil prices fell in 2014 and the government chose to pass on part of the benefit to consumers and used part of it to boost revenue. Sinha added consumption demand was down and lower oil prices were unlikely to boost demand significantly even if the entire benefit of lower prices was passed on to the consumers.

"Even if the fall in crude price is transferred to consumers in terms of lower petrol and diesel prices, it will only ease some of the pressure which households are facing and given the sentiment it is unlikely that it would have translated into a consumption boost," Sinha said.

The price of petrol had hit a nine-month low of Rs 70 in the capital and that of diesel had hit a 13-month low of Rs 64.74 after a price war between major oil-producing countries slashed international crude oil prices by 25

per cent. Saudi Arabia triggered the crash in prices by announcing a sharp increase in oil production after Russia declined to reduce oil supply to contain a fall in oil prices due to declining demand in a meeting of petroleum exporting countries.

Roughly, every rupee hike in excise duty is expected to yield Rs 13,000-14,000 crore annually. Given that the hike in excise duty has been implemented from March 14, it's expected to roughly translate into a gain of around Rs 1,600-1,700 crore for this fiscal year.

"Usually, the rough estimate is of Re 1 hike in excise yields Rs 13,000-14,000 crore annually. But global crude situation needs to be watched closely in the coming days. The fiscal arithmetic for fuel prices would depend on many factors going ahead," a senior government official said.

BILLIONAIRE AND HIS WIFE MELINDA RUN ONE OF WORLD'S LARGEST CHARITIES, THE GATES FOUNDATION

Gates steps down from Microsoft board to focus on philanthropy

REUTERS
 NEW YORK, MARCH 14

MICROSOFT CORP co-founder Bill Gates, who made the company one of the world's most valuable technology firms, stepped down from the board on Friday to focus on philanthropic works related to global health, education and climate change.

The billionaire and his wife Melinda run one of the world's largest charities, the Gates Foundation, which has billions in assets and funds global health programs to combat disease and poverty.

Gates quit his full-time executive role at Microsoft in 2008 and remained as chairman of



Microsoft co-founder Bill Gates quit his full-time executive role at Microsoft in 2008 and remained as chairman of the board till 2014. Reuters file photo

the board till 2014. Since then he has been a board member.

"It's been a tremendous

honor and privilege to have worked with and learned from Bill over the years," Chief

Executive Officer Satya Nadella said.

With the departure of Gates from Microsoft Board, it will now consist of 12 members, the company said.

Gates also stepped down from the board of Warren Buffett's Berkshire Hathaway Inc, where he has served since 2004.

Warren Buffett's Berkshire Hathaway Inc said on Friday that former American Express Co Chief Executive Officer Kenneth Chenault has been nominated to the conglomerate's board of directors, replacing Gates.

The change was disclosed in Berkshire's annual proxy filing, ahead of its scheduled May 2 annual meeting.

Chenault, 68, led New York-

based American Express from January 2001 to February 2018, and became one of the most prominent black CEOs in corporate America.

Berkshire knows Chenault well, having long been American Express' largest shareholder, and ending 2019 with an 18.7 per cent stake in the travel and financial services company.

Gates, 64, has known Buffett since 1991 and been a Berkshire director since 2004, but now devotes most of his attention to philanthropy, including the Bill & Melinda Gates Foundation.

He is also the world's second-richest person, worth \$103.6 billion according to Forbes magazine. Buffett ranks fourth, at \$76 billion.

"I have made the decision to

step down from both of the public boards on which I serve — Microsoft and Berkshire Hathaway — to dedicate more time to philanthropic priorities including global health and development, education, and my increasing engagement in tackling climate change," Gates said in a LinkedIn blog on Friday.

In Friday's filing, Berkshire also recommended that shareholders reject a proposal by four New York City public pension plans that lists of outside candidates for board seats include "qualified female and racially/ethnically diverse candidates."

Three members of Berkshire's 14-person board are women, and Chenault would become the only black director.