

Weekly Compendium of Research

For the week ending 21st September 2019

PHD Research Bureau disseminated information to members of PHD Chamber & other industry stakeholders on various economic and business developments at International, National and Sub-national arena such as, recommendations made in 37th GST Council Meeting, slashing of corporate tax rates, OECD Interim Economic Outlook, WPI inflation for the month of August 2019, constitution of Company Law Committee, draft guidelines released by RBI for 'on tap' licensing of Small Finance Banks in the Private Sector, reduction in Fed rates, WTO's Services Trade Barometer, among others. The details of disseminated information during the week ending 21st September 2019 are appended.

India and World Economy

- **Recommendations made in 37th GST Council Meeting-** The 37th GST Council meeting took place in Goa on 20th September 2019, under the Chairmanship of Smt Nirmala Sitharaman, Hon'ble Union Finance & Corporate Affairs Minister. The council took the significant decisions in respect to rates on goods. The council also took decisions relating to changes in Services GST rates, ITC eligibility criteria, exemptions and clarifications on connected issues.
- **India's GDP to grow at 5.9% in FY 2019 and at 6.3% in FY 2020: OECD Interim Economic Outlook-** According to OECD Interim Economic Outlook, September 2019, the global outlook has become increasingly fragile and uncertain. Global growth is projected to slow to 2.9% in 2019 and 3% in 2020. These would be the weakest annual growth rates since the financial crisis, with downside risks continuing to mount. India's growth is expected to strengthen from around 5.9% in FY 2019 to just over 6.3% in FY 2020. Lower interest rates and stronger benefits from reform efforts should all help private sector demand to strengthen.
- **Corporate tax rates slashed to 22% for domestic companies and 15% for new domestic manufacturing companies-** The Government has brought in the Taxation Laws (Amendment) Ordinance 2019 to make certain amendments in the Income-tax Act 1961 and the Finance (No. 2) Act 2019. This was announced by the Smt Nirmala Sitharaman, Hon'ble Union Minister for Finance & Corporate Affairs during a Press Conference.
- **Hon'ble Union Minister of Commerce & Industry launches Common Digital Platform for Issuance of Electronic Certificates of Origin-** The Hon'ble Union Minister of Commerce & Industry and Railways, Shri Piyush Goyal and the Hon'ble Minister of State of Commerce and Industry, Shri Hardeep Singh Puri have launched Common Digital Platform for Issuance of electronic Certificates of Origin (CoO) in New Delhi. This platform will be a single access point for all exporters, for all Free Trade Agreements (FTAs)/ Preferential Trade Agreements and for all agencies concerned. Certificate of Origin will be issued electronically which can be in paperless format if agreed to by the partner countries. Authorities of partner countries will be able to verify the authenticity of certificates from the website. Further, it provides administrative access to Department of Commerce for reporting and monitoring purposes.
- **Launch of "Leadership for Academicians Programme (LEAP) - 2019 and Annual Refresher Programme in Teaching (ARPIT)"-** The Hon'ble Union Minister of Human Resource Development,

Shri Ramesh Pokhriyal Nishank recently launched Leadership for Academicians Programme (LEAP) - 2019 and Annual Refresher Programme in Teaching (ARPIT) – 2019 under Pandit Madan Mohan Malviya National Mission on Teachers and Teaching (PMMMNMTT) ”.

- **Ministry of Human Resource Development announces National Educational Alliance for Technology (NEAT) Scheme-** The Hon'ble Union Minister of Human Resource Development (MHRD), Shri Ramesh Pokhriyal Nishank recently announced a new Public Private Partnership (PPP) Scheme “National Educational Alliance for Technology (NEAT)” for using technology for better learning outcomes in Higher Education. The objective of the scheme is to use Artificial Intelligence to make learning more personalised and customised as per the requirements of the learner
- **August 2019 WPI inflation stands at 1.1%-** The WPI inflation stands at 1.1% in August 2019 as compared to 1.1% in July 2019, 2% in June 2019, 2.8% in May 2019, 3.2% in April 2019 and 3.1% in March 2019. The inflation for Primary Articles stands at 6.4%, fuel and power at (-)4.0% and manufactured products at 0% in August 2019.
- **Government constitutes Company Law Committee for examining and making recommendations on Companies Act-** The government has decided to constitute a Company Law Committee for examining and making recommendations to the Government on various provisions and issues pertaining to implementation of the Companies Act, 2013 and the Limited Liability Partnership Act, 2008. This has been done in line with the Government's objective of promoting Ease of Living in the country by providing Ease of Doing Business to law abiding corporates, fostering improved corporate compliance for stakeholders at large and also to address emerging issues having impact on the working of corporates in the country.

Finance

- **RBI releases draft guidelines for 'on tap' licensing of Small Finance Banks in the Private Sector-** The Reserve Bank had issued the Guidelines for Licensing of “Small Finance Banks” in the Private Sector on November 27, 2014. The process of licensing culminated in granting in-principle approval to ten applicants and they have since established the banks. It was notified in these Guidelines that after gaining experience in dealing with these banks, the Reserve Bank will consider 'on tap' licensing of these banks. After a review of the performance of the existing small finance banks and to encourage competition, it was announced in the Second Bi-monthly Monetary Policy Statement, 2019-20 dated June 06, 2019 that the Reserve Bank would put out draft guidelines for 'on tap' licensing of such banks. Accordingly, the following guidelines for licensing of small finance banks in the private sector have been formulated for continuous authorisation.
- **Commerce Ministry through ECGC raises Insurance cover for Banks up to 90% for Working Capital Loans-** The Hon'ble Union Minister of Commerce & Industry and Railways, Shri Piyush Goyal has informed about the details of the Export Credit Insurance Scheme (ECIS) in New Delhi along with the Hon'ble Minister of State of Commerce and Industry, Shri Hardeep Singh Puri. The scheme was announced by the Hon'ble Finance Minister, Smt Nirmala Sitharaman, as a part of the measures to boost exports, on 14th September 2019 in New Delhi.
- **Hon'ble Finance Minister reviews performance of the banks with focus on supporting credit needs of the economy-** Hon'ble Finance Minister Smt. Nirmala Sitharaman, reviewed the performance of the banks with top management of Public Sector Banks. She also reviewed at length the implementation of series of measures, following extensive stakeholder consultations, announced since 23.8.2019, including consolidation, to support economic growth. A number of these related to the banking sector and progress in implementation of these was reviewed with chief executives of Public Sector Banks.
- **Fed Rates lowered by 25 bps to a range of 1.75-2%: Federal Open Market Committee-** The Federal Open Market Committee decided to lower the target range for the federal funds rate to 1.75 to

2% in light of the implications of global developments for the economic outlook as well as muted inflation pressures. The action supports the Committee's view that sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2% objective are the most likely outcomes, but uncertainties about this outlook remain.

Trade

- **Hon'ble Union Minister of Commerce & Industry launches Steel Import Monitoring System (SIMS)**- The Hon'ble Union Minister of Commerce & Industry and Railways, Shri Piyush Goyal and Hon'ble Minister of State of Commerce and Industry, Shri Hardeep Singh Puri have launched the Steel Import Monitoring System (SIMS) in New Delhi. The system has been developed in consultation with Ministry of Steel, Government of India on the pattern of US Steel Import Monitoring and Analysis (SIMA) system
- **World services trade weakens into second half of 2019: WTO's Services Trade Barometer-** World trade in commercial services lost momentum through the second quarter of 2019 according to the WTO's new Services Trade Barometer. The index's reading of 98.4 is below the baseline value of 100, suggesting that services trade continued to face strong headwinds leading into the second half of the year.
- **16th Session of the Joint Economic Commission (JEC) between India and Belgium Luxembourg Economic Union (BLEU)**- The 16th Session of the Joint Economic Commission (JEC) between India and Belgium Luxembourg Economic Union (BLEU) has been convened in New Delhi. The Session was co-chaired by Dr Anup Wadhawan, Commerce Secretary with Ms. Sylvie Lucas, Secretary General of the Ministry of Foreign and European Affairs of Luxembourg.

Our Voice

Significant cut in Corporate Tax will kick start economic growth, accelerate investments, boost make in India and create employment: Significant cut in corporate tax for domestic firms will accelerate the investments in manufacturing, open up new employment opportunities and kick start economic growth trajectory of the country. Recent economic reforms which will not only boost the business sentiments but also go a long way to strengthen India's journey towards a US\$5 trillion economy by 2024-25 and US\$10 trillion economy by 2030A reduction in the Corporate Tax will strengthen India's position among the competitive economies in the manufacturing sector such as China, United States, Germany, Japan, South Korea, Mexico and Canada, among others. The slew of reform measures including an option to pay income-tax at the rate of 22% subject to not availing any exemption/incentives other than MAT and an option to pay income-tax at the rate of 15% on making fresh investments in manufacturing after 1st October 2019 will attract large chunk of domestic and foreign investments and strengthen Make in India initiative of the Government. The firms which are liable to pay income tax at the rate of 22% will witness an effective tax rate of 25.17% and the effective tax rate for companies making fresh investments on or after 1st October 2019 will be 17.01% which are significantly lower as compared with the previous regime of more than 30%. Significant reduction in the corporate tax will increase the price-cost margins of the business firms, boost the sentiments for more production, enhance the production possibility frontiers of the country and create millions of new employment opportunities for the growing young population. Going ahead, the maximum personal income tax rate should move towards 25% to increase the personal disposable income which will boost consumption demand in the economy.

Economy so far

- **Banks will have to take balanced call on NBFC crisis: RBI's Shaktikanta Das-** According to RBI Governor Shri Shaktikanta Das, market mechanism should be given preference to solve the crisis in non-banking financial companies (NBFCs). It means the existing promoters should go for a stake sale, bring in new promoters or new money into their NBFCs. This is something that the promoters are already doing, but banks have a role, too.
- **Approved cabinet note for scrapping old vehicles, policy out soon-** According to Shri Nitin Gadkari, Hon'ble Union Minister of Road Transport and Highways, the vehicle scrapping policy will be

circulated to concerned ministries, having been approved by the Prime Minister's Office and the Ministry of Finance. The policy for discarding old vehicles will be applicable to all automobiles, including two and three wheelers. Talking about promoting alternative sources of fuel, Shri Gadkari said that he acknowledges the concerns of the Internal Combustion Engine- vehicles industry and will certainly look to help auto manufacturers.

- **New corporate tax rates closer to global ones, says Shaktikanta Das-** According to Shri Shaktikanta Das, Governor, Reserve Bank of India (RBI), the government's decision to cut corporation tax rates is extremely bold and will augur well for the economy. He mentioned that one of the major drawbacks that India had was high corporation tax rates. These new tax rates take India closer to the tax rates that prevail in other countries of the world.
- **Bank credit must grow 12% year-on-year for India to become a USD 5 trillion economy: SBI-** According to Shri Dinesh Kumar Khara, Managing Director, State Bank of India, bank credit must grow 12% on year-on-year basis till 2024 if India has to become a USD 5-trillion economy. Bank credit, which is at Rs 98-lakh crore at present, should go up to Rs 400-lakh crore to be able to achieve the target.
- **Advance tax mop-up posts dismal growth, rises by just 6% in H1FY20-** The overall advance tax collection, including corporate and personal income tax, grew by 6% between April and mid-September as against 18 per cent in the year-ago period. Direct tax collection has seen a growth rate of mere 5 per cent so far this year, which means that collections will need to expand by at least 27 per cent in the remaining half to achieve the Budget target of 17.3 per cent growth. Advance tax collection after the second installment stood at Rs 2.2 trillion. The gross direct tax collection has touched Rs 5.5 trillion as against the full-year target of Rs 13.35 trillion. Dismal growth in advance tax in the first half of the financial year indicates a deepening economic slowdown.
- **Government proposes to hand over EPFO corpus of Rs 10 lakh crore to a central body-** The Ministry of Labour has proposed to hand over control of the over Rs 10 lakh crore corpus of provident fund, pension and insurance schemes under the Employees' Provident Fund Organisation (EPFO) to a central body, which will have a central government-appointed chairman. Unlike the central board of trustees of the EPFO, the Minister of Labour will no longer be the chairman of the board, as per the proposal. The ministry has circulated a fresh draft of the social security code which will merge, simplify and rationalise the relevant provisions of the existing eight central labour laws and create a central board of trustees to administer these schemes.
- **Number of workers grew 4.8% to 12.2 million in FY18: ASI data-** According to the provisional data released in Annual Survey of Industries (ASI), manufacturing sector investments declined 10.3% in 2017-18, sharper than the 2.7% fall registered in FY17. Gross fixed capital formation (GFCF), as measured by the survey was Rs 3.31 lakh crore in 2017-18, compared with Rs 3.69 crore in 2016-17. While there was a 1.2% rise in the number of factories in 2017-18, the number of workers rose 4.8% to 12.2 million from 11.6 million in 2016-17.
- **Government waives three-year lock-in period on investments made by NRIs in IDFs-** The government has waived the three-year lock-in period on investments made by non-residents in infrastructure debt funds (IDFs), to promote funding in the infrastructure sector. A notification had been issued by the Central Board of Direct Taxes (CBDT). To attract off-shore investments into IDFs, any amount of interest received by non-resident or foreign company from investment in such IDFs is charged at a reduced tax rate of 5%.
- **Ministry of Food pushes for increase in allocation of subsidised food grains-** The ministry of food has revived the proposal to increase by 2 kg each the allocation of subsidised food grains to 810 million poor people covered under the National Food Security Act. If the proposal gets clearance, it will help the government offload massive stocks piled up in granaries ahead of the fresh procurement

season, which starts in October.

- **Expect 30% rise in export credit by March-** The government expects a 30% rise in export credit disbursements by the end of 2019-20 through greater insurance coverage of exporters and easier inspection norms. The Ministry of Commerce and Industry will soon approach the Cabinet for reduction in insurance premium rates to 0.6% for small exporters having an outstanding limit of less than Rs 80 crore.
- **No need to inform government about gift received abroad if valued up to Rs 1 lakh-** Individuals receiving personal gift valued up to Rs 1 lakh need not inform the government about it anymore, according to the Ministry of Home Affairs, as it amended Foreign Contribution (Regulation) Act. Earlier, the threshold value was Rs 25,000, as per the market value of the gift item in India. The Centre amended the rules governing the Foreign Contribution (Regulation) Act, 2011, and notified this change alongside some other modifications. According to the amended rules, in case of emergent medical aid needed during a visit abroad, the acceptance of foreign hospitality has to be intimated to the government within a month of such receipt.
- **NHA, IRDAI recommend measures to check frauds, data standardization-** The National Health Authority, responsible for implementing the Ayushman Bharat scheme, and Insurance Regulatory and Development Authority of India (IRDAI) have launched a report recommending best practices, common standards, collaborative measures and IT framework for data standardisation and to check frauds. A joint working group of IRDAI and NHA was formed to work on key areas of mutual interest and co-operation which focussed their work on four key areas Hospital Network Management, Data Standardization and exchange, Common IT infrastructure for health insurance claims management and Fraud and abuse control. In the report on Hospital Network Management, the experts recommended building a national repository of empanelled hospitals under insurance/government schemes with defined standards for quality and package rates and codes.

Markets So Far

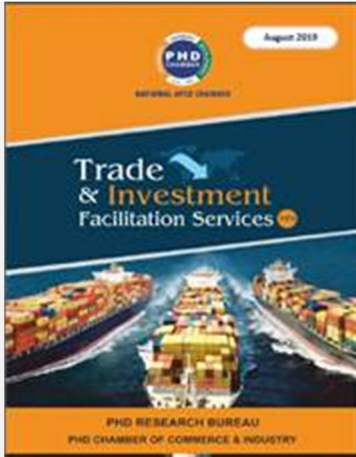
Indicators	Yearly			Monthly			Daily		
	2016	2017	2018	Jun 19	Jul 19	Aug 19	(18-09-2019)	(19-09-2019)	(20-09-2019)
BSE SENSEX	26626	34057	36068	39395	37481	37332*	36563	36093	38014
GOLD (10 GRMS)	29420	28966	30600	33105	34805	37371	37542	37456	37390
CRUDE OIL (1 BBL)	2925	3317	4437	3785	3991	3905	4262	4144	4135
EXCHANGE RATE (INR/USD)	67	65	68	69.43	68.8	71.06	71.23	71.32	70.94

Source: PHD Research Bureau, PHDCI, compiled from BSE, MCX and Bloomberg, RBI (*denotes value as on 30th August 2019)

Newsletters

PHD Research Bureau has released a newsletter on Trade and Investment facilitation Services for the month of August 2019 capturing information on recent developments in India's foreign trade, foreign investments, policy developments, bilateral economic relations, trade agreements, WTO among others.

Trade and Investment facilitation Services Newsletter for the month of August 2019



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Warm Regards,

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