

## Decisions taken by the Union Cabinet

- **Cabinet approves Agreement and Protocol between India and Chile for the avoidance of double taxation**

The Union Cabinet chaired by Hon'ble Prime Minister Shri Narendra approved the signing of the Double Taxation Avoidance Agreement (DTAA) and Protocol between the Republic of India and the Republic of Chile for the elimination of double taxation and the prevention of fiscal evasion and avoidance with respect to taxes on income.

**Major impact:** The DTAA will facilitate elimination of double taxation. Clear allocation of taxing rights between Contracting States through the Agreement will provide tax certainty to investors & businesses of both countries while augmenting the flow of investment through fixing of tax rates in source State on interest, royalties and fees for technical services. The Agreement and Protocol implements minimum standards and other recommendations of G-20 OECD Base Erosion Profit Shifting (BEPS) Project. Inclusion of Preamble Text, a Principal Purpose Test, a general anti-abuse provision in the Agreement along with a Simplified Limitation of Benefits Clause as per BEPS Project will result in curbing of tax planning strategies which exploit gaps and mismatches in tax rules.

**Implementation Strategy and Targets:** After Cabinet approval, necessary formalities for bringing the Agreement and Protocol into force will be completed. Implementation would be watched and reported by the Ministry.

- **Cabinet approves extension of the term and coverage of the Fifteenth Finance Commission and submission of two reports by the Finance Commission**

The Union Cabinet chaired by Hon'ble Prime Minister Shri Narendra approved the Fifteenth Finance Commission to submit first report for the first fiscal year viz. 2020-21 and to extend the

tenure of XV-FC to provide for the presentation of the final report covering FYs 2021-22 to 2025-26 by 30th October, 2020.

The extension of the term will enable the Commission to examine various comparable estimates for financial projections in view of reforms and the new realities to finalise its recommendations for the period 2020-2026.

The Commission, on account of the restrictions imposed by the Model Code of Conduct, completed its visit to States only recently. This has had a bearing on the detailed assessments of States requirements.

The Terms of Reference for the commission are wide-ranging in nature. Comprehensively examining their implications and aligning them to the requirements of the States and the Central Government will require additional time.

The proposed increase in coverage of the period for which the Commission's recommendations are applicable, will help medium-term resource planning for the State Governments and the Central Government. Making a five year coverage available for the Commission beyond 1st April 2021, will help both State and Central Governments design schemes with medium to long term financial perspective and provide adequate time for mid-course evaluation and correction. It is anticipated that the impact of the economic reforms initiated in the current FY would be manifested in the data by the end of First Quarter 2020-21.

- **Cabinet approves big increase in the authorized capital of Food Corporation of India from Rs. 3,500 crore to Rs.10,000 crore**

The Cabinet Committee on Economic Affairs chaired by the Hon'ble Prime Minister Shri Narendra Modi has approved to increase the authorized capital of Food Corporation of India (FCI) from existing Rs.3,500 crore to Rs.10,000 crore.

With the increase of authorized capital, additional equity capital can be infused in FCI through Union Budget, to fund the foodgrains stock, perpetually held by FCI. This will reduce the borrowings of FCI, save interest cost of FCI and reduce food subsidy in consequence.

## **Background:**

The operations of Food Corporation of India require maintaining perpetual stock of foodgrains which needs to be funded by the Govt. of India through equity or long term loan. The Govt. of India is providing equity to FCI for maintaining stocks. The present authorized equity capital of FCI is Rs.3,500 crore and paid up equity capital as on 31.03.2019 is Rs.3,447.58 crore.

Food Corporation of India was constituted under the Food Corporations Act, 1964, to implement the food policy of Government of India. Its primary objective is to ensure Minimum Support Price to farmers, maintain buffer stock of foodgrains and distribution of foodgrains under National Food Security Act and other welfare schemes of Government of India.

- **Cabinet approves extension of norms for mandatory packaging in jute materials**

The Cabinet Committee on Economic Affairs, chaired by Hon'ble Prime Minister Shri Narendra has accorded its approval for mandatory packaging of foodgrains and sugar in jute material for the Jute Year 2019-20.

The Government has retained the scope of mandatory packaging norms under the Jute Packaging Material (JPM) Act, 1987 as per last year. The decision of the Cabinet mandates that 100% of the food grains and 20% of the sugar shall be mandatorily packed in diversified jute bags.

## **Benefits:**

The decision to pack sugar in diversified jute bags will give an impetus to the diversification of the jute industry. Further, the decision also mandates that initially 10% of the indents of jute bags for packing foodgrains would be placed through reverse auction on the GeM portal. This will gradually usher in a regime of price discovery.

The approval will benefit farmers and workers located in the Eastern and North Eastern regions of the country particularly in the states of West Bengal, Bihar, Odisha, Assam, Andhra Pradesh, Meghalaya and Tripura.

- **Cabinet approves India's Approach to UN Climate Change Conference to be held in Spain next week**

The Union Cabinet chaired by Hon'ble Prime Minister Shri Narendra Modi approved the negotiating stand of India at the 25th Conference of Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) scheduled to be held in Madrid, Spain (under the Presidency of Chile) from 2-13 December 2019.

The Indian delegation will be led by Shri Prakash Javadekar, Hon'ble Minister, Environment, Forest and Climate Change. COP 25 is an important conference as countries prepare to move from pre-2020 period under Kyoto Protocol to post-2020 period under Paris Agreement. India's approach will be guided by principles and provisions of UNFCCC and Paris Agreement particularly the principles of Equity and Common But Differentiated Responsibilities and Respective Capability (CBDR-RC).

India's leadership on climate change has been evident and well recognised across the globe. Government of India has been undertaking several initiatives to address climate change concerns under the leadership of Hon'ble Prime Minister, Shri Narendra Modi and these initiatives reflect India's commitment and ambition towards climate action. In the recently held Climate Action Summit convened by United Nations Secretary General, the Prime Minister announced India's plan on scaling up of renewable energy target to 450 GW and called for responsible action by all on the principles of equity and CBDR-RC. India has been leading the world in its pursuit of enhanced solar energy capacity through International Solar Alliance (ISA).

In addition to ISA, two new initiatives have been launched by India as part of its efforts to mobilize world on climate action. These include Coalition for Disaster Resilient Infrastructure, which will serve as a platform to generate and exchange knowledge on different aspects of climate and disaster resilient infrastructure and 'Leadership Group for Industry Transition' launched jointly by India and Sweden, which will provide a platform for government and the private sector in different countries to work together on accelerating low carbon growth and cooperation in the area of technology innovation.

India has been ambitious in its actions and has emphasized that Developed countries should take lead in undertaking ambitious actions and fulfil their climate finance commitments of mobilizing USD 100 billion per annum by 2020 and progressively and substantially scale up their financial support to inform Parties for future action through NDCs. India will further stress upon need for fulfilling pre-2020 commitments by developed countries and that pre-2020 implementation gaps should not present an additional burden to developing countries in the

post-2020 period.

Overall, India looks forward to engaging in negotiations with a constructive and positive outlook and work towards protecting its long-term development interests.

- **Cabinet approves Post Facto the Agreement on establishment of Strategic Partnership Council between India and Saudi Arabia**

The Union Cabinet chaired by Hon'ble Prime Minister Shri Narendra approved Post Facto the Agreement signed by Prime Minister on 29th October, 2019 for establishment of Strategic Partnership Council between India and Saudi Arabia.

The Agreement will enable the leadership at the highest-level in both countries to meet regularly and monitor progress in the ongoing initiatives/projects under the strategic partnership. It will help identify new areas for forging strategic engagement and will define the goals to be achieved and benefits to be derived.

**Benefits:**

- The proposal aims to benefit the citizens with improved economic and commercial linkages with Saudi Arabia irrespective of any gender, class or income bias.
- This Agreement with Saudi Arabia will open new avenues of partnership in strategic areas like defence, security counter-terrorism, energy security and renewable energy.

- **Cabinet approves MoUs signed between India and Saudi Arabia in the field of combating illicit trafficking and smuggling of Narcotic Drugs, Psychotropic Substances and Chemical Precursors**

The Union Cabinet chaired by the Hon'ble Prime Minister Shri Narendra has given ex-post facto approval for the MoUs between India and Saudi Arabia in the field of combating illicit trafficking and smuggling of Narcotic Drugs, Psychotropic Substances and Chemical Precursors.

**Benefits:**

The MoU shall facilitate and enhance the cooperation between the two countries in combating illicit trafficking and smuggling of narcotic drugs, psychotropic substances and chemical

precursors, as defined by the United Nations international Drug Control Conventions.

Under the MoU, there is a provision for the exchange of relevant information as well as methods, identities and suspicious activities of producers, smugglers and traffickers of narcotic drugs, details of trafficking of NDPS and Precursors Chemicals on requisitions and financial details of the traffickers arrested on drug related charges.

Under the MoU, there is also a provision for notification of the details of the arrested citizen of the other Party for committing the crime of illicit trafficking or smuggling of narcotic drugs, psychotropic substances and chemical precursors and consular access to the arrested person.

The MoU also provides for exchange of chemical reports/analysis of narcotic drug, psychotropic substances and chemical precures seized within the territory of either party and data/information about illegal laboratories of narcotic drugs, psychotropic substances and chemical precures and their technical specifications.

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