Impact of Pandemic COVID-19: PHDCCI suggestions for short and long term measures by the Government

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PHD Chamber's Viewpoint

Dr D K Aggarwal
President

The growing severity of widespread pandemic COVID-19 on our economy is a matter of deep concern. PHD Chamber of Commerce stands in complete solidarity and pledges to extend its all-out support to the Government in the fight for making India COVID-19 free. At this juncture, there is a need to maintain a growth trajectory at around 5% and therefore, a fiscal stimulus of at least 5% of GDP i.e. around Rs 11 Lakh Crores is necessary to mitigate the impact of Pandemic COVID-19 on economy, trade and Industry through various relief measures and benefits to India's trade and industry. An automatic increase of 25% in working capital without any procedure and application to reduce stress on businesses; to convert increased working capital in a term-loan with a provision of 3 years repayment period are crucial at this juncture.

Shri Sanjay Aggarwal
Senior Vice President

The proactive and combative measures undertaken by the Government to curtail the spread of pandemic COVID-19 are highly appreciable. Immediate reduction in the lending rate by all the banks to percolate the full effect of recent 75 basis points cut in repo rate by RBI should be done. To defer the EMIs of the term-loans for 6 months, special interest subvention @ 3% in loans to MSMEs and other badly affected industries; to abolish all fixed charges of all the utilities and defer all utilities' bills by 3 months are crucial at this juncture. Release of outstanding payments of MSMEs, from the Government and PSUs; rationalisation of GST rate structure by merging 18% tax slab with 12% tax slab, among others are significant needed in this extremely difficult time.

Shri Pradeep Multani
Vice President

The reforms undertaken by the Government to contain the spread of COVID-19 in India are highly encouraging. It is suggested that herbs dealers and packing material industries cum dealers should be permitted to work to maintain the smooth supply of raw material/packing materials for manufacturing of medicines by Pharma/Ayush sector. Some of the long terms measures that must be undertaken include reducing income tax of the proprietorship and LLPs firms to the level of 25% for old and 15% for new companies; reduce the customs duties on basic raw materials by at least 5 percentage points; further reduction of 100 basis points repo rate cut are necessary to enhance the competitiveness of manufacturers.

Shri Saurabh Sanyal
Secretary General

The proactive and fast track measures undertaken by the Government to combat the impact of pandemic COVID-19 on trade and industry are highly appreciable. We are quite optimistic that the Economic Response Task Force will combat the impact of pandemic covid-19 on India's economy, trade and industry. At this juncture, it is recommended that the consumption expenditure by the Government should be enhanced, even if fiscal deficit slips by 2 percentage points to revive the demand scenario in the economy.

NATIONAL APEX CHAMBER

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1. Executive Summary

PHD Chamber appreciates the Government for undertaking proactive and fast track measures to combat the impact of pandemic COVID-19 on economy, trade and industry. PHD Chamber is quite optimistic that the Economic Response Task Force under the dynamic leadership of Hon'ble Finance Minister, Mrs. Nirmala Sitharaman ji will combat the impact of pandemic covid-19 on India's economy, trade and industry and economy will sooner than later resume its potential growth trajectory.

We appreciate the recent reform measures by the government in terms of fiscal support of Rs. 1.70 lakh crore, Rs. 15,000 crore towards the build-up of health infrastructure, issuance of Rs 18,000 crore pending refunds of income-tax, GST & custom by IT Department, among others.

Going ahead, PHD Chamber of Commerce and Industry suggests a stimulus package of Rs 11 lakh crore (at least 5% of GDP) to mitigate the impact of Pandemic COVID-19 on economy, trade and Industry through various relief measures and benefits to India's trade and industry. An automatic increase of 25% in working capital without any procedure and application to reduce stress on businesses; to convert increased WC in a term-loan with a provision of 3 years repayment period.

Other short term suggestions include immediate reduction in the lending rate by all the banks to percolate the full effect of recent 75 basis points cut in repo rate by RBI. To defer the EMIs of the term-loans for 6 months, special interest subvention @ 3% in loans to MSMEs and other badly affected industries; to abolish all fixed charges of all the utilities and defer all utilities' bills by 3 months.

Release of outstanding payments of MSMEs, from the Government and PSUs; and refunds of GST, income tax and export incentives by the respective departments of the Government by April 15, 2020 to help them to meet their financial requirements in this extremely difficult time. Government should pay 75% of salary of the workers of the lockdown period and employer contribution in PPFs during lock down period should be brought down to zero to ease the financial burden of the industry.

Suggestions for the long-term measures include reducing income tax of the proprietorship and LLPs firms to the level of 25% for old and 15% for new companies; reduce the customs duties on basic raw materials by at least 5 percentage points; reduce the cost of capital with a further reduction of 100 basis points cut in the repo rate to enhance the competitiveness of manufacturers and exporters in international market. Rationalisation of GST rate structure by merging 18% tax slab with 12% tax slab; further recapitalization of the Public Sector Banks, among others.

Impact of Pandemic COVID-19 on India's Economy, Trade & Industry : PHDCCI Suggestions for Short-term and Long-term Measures by the Government

PHD Chamber appreciates the Government for undertaking proactive and fast track measures to combat the impact of pandemic COVID-19 on economy, trade and industry. PHD Chamber is quite optimistic that the Economic Response Task Force under the dynamic leadership of Hon'ble Finance Minister, Mrs. Nirmala Sitharaman ji will combat the impact of pandemic COVID-19 on India's economy, trade and industry and economy will sooner than later resume its potential growth trajectory.

PHD Chamber of Commerce and Industry stands in complete solidarity with the Government and pledges to extend its wholehearted support, in whatever means required and possible, to help the Nation stand against the wild tide of pandemic COVID-19, overcome its adverse impact and come out victorious by defeating the pandemic COVID-19 virus.

PHD Chamber in its pledge to support the Government and take care of all the citizens of India has significantly contributed to the PM CARES Fund initiated by our Hon'ble Prime Minister, Shri Narendra Modi Ji, to help India get relieved from the intense grip of the pandemic COVID-19. Our member industry organizations have extensively contributed to the PM CARES fund in which around Rs. 450 crores have been contributed so far (as on April 5th 2020).

Our member industry organisations are providing food, rations and taking care of sanitization needs of the poor, needy and the ones stranded in places away from the family. Many of our member organizations have also extended help to various State Governments and provided ventilators and other hospital machines and essential required to cater to the increasing number of patients at the hospitals and medical centers. PHD Chamber appreciates the relief measures undertaken by the Government to support the people, economy, trade and industry. Going ahead, please find appended our suggestions for the short-term and long-term measures to mitigate the impact of pandemic COVID-19 on India's economy, trade and industry.

2. Suggestions for Short-term measures by the Government

2.1 Economy needs a significant financial package

- India's growth rate was decelerating in the last few quarters due to various global headwinds. Now COVID-19 has impacted the growth trajectory. At this juncture, maintaining the growth rate of near 5% would require a major fiscal stimulus.

- We appreciate the recent measures by the government and RBI in terms of fiscal support of Rs. 1.70 lakh crore, Rs. 15,000 crore towards the build-up of health infrastructure and monetary easing by the RBI to infuse liquidity of Rs. 3.74 lakh crore in the system.

- However, advanced economies such as United States, United Kingdom, Italy and Spain have provided significantly higher stimulus packages to their respective economies.

- At this juncture, considering the fiscal situation and constraints, we recommend a stimulus of at least 5% of GDP which becomes at around Rs. 11 lakh crores.

- We recommend enhancing consumption expenditure by the Government, even if fiscal deficit slips by 2 percentage points, to support rural incomes and demand which will help manufacturing sector to maintain their production and capacity utilization.

- Hassle free disbursements of loans vis-à-vis enhanced liquidity to industry stakeholders, traders, dealers, suppliers, customers, among others would be crucial to sustain growth at around 5% in the current financial year of 2020-21.

2.2 Trade and Industry

- Enhance the working capital: There is a drastic fall in the business activities Vis-a-Vis lower domestic and international sales, at this juncture, the working capital requirement of the businesses should be automatically increased by 25% without any collateral and no new application should be required to be filed for this purpose. The additional 25% increase should be as working capital term-loan extended for one year with a provision of 3 years repayment period.

- The normalization of cash flow will take around 6 months after the lock down is over. Majority of labor and work force have already re-located themselves to their home towns and logistics are completely paralyzed vis-à-vis unavailability of work-force such as drivers etc., hence, the trade and industry look forward to more dynamic reforms measures and a great hand-holding in this extremely difficult time.

- We recommend that lockdown period should be declared zero financial period i. e. No interest on borrowings, No GST/ Excise liabilities, No time bard cases, for a period of 6 months. And all previous payments should be deferred for three months after lockdown period.

- The industry is mandated to pay Salary, Rent, interest and term loan installments. There is no corresponding revenue stream and it may be necessary to permit Banks to provide for 6 Months moratorium and reschedule all repayments.

- EMIs on all term loans should be deferred by 6 months to support the functioning of trade and business in the country. The extended period should be added in the remaining maturity period of the loans. Similarly, there should be moratorium of 6 months for interest on term loan and the same should be also back ended in 6 installments.

- All regulatory bodies including SEBI, Ministry of Corporate Affairs, among others must ease the regulatory procedures and must have lenient view on the policy environment during this difficult period.

- We recommend that the relaxations should cover letter of credit (LC) payments/ bill discounting/ maturing during this period and payments made by bank for this purpose should also be deferred for 6 months. This moratorium should be applicable to all the banks/NBFCs/MFIs/ HFCs to enhance the coverage and penetration of the benefit.

- We recommend the deferment of External Commercial Borrowings (ECBs) / Foreign Currency Term Loans installments as well as Term Loans in Indian Rupee (INR) and vehicle loans payments should be granted for the ease of industry stakeholders. (6 months moratorium need to be extended to all borrowers including those which are currently SMA1or SMA2)

- We recommend immediate clearance of all export benefits to exporters including IGST/GST, Duty Drawback, ROSL, RoSCTL etc. including too risky exporters (against a Bond) and relaxation in physical examination norms due to lesser availability of manpower.

- Bring in Anti-Dumping measures, such as across the board anti-dumping duty of around 10 percent, post COVID-19 against goods imported from China for a period of 3 years till our local industries health is restored. Further, our importers should be directed or asked to look at alternate sources.

2.3 Banking, Finance and Insurance

- The banking sector should transmit the full effect of 75 basis points cut in repo rate and lower the lending rates immediately to reduce the cost of capital for the businesses.

- Interest subvention @ 3% p.a. in loans to MSMEs and other badly affected industries should be provided as a measure to improve the sustainability in the market. The present norms related to collateral security need to be relaxed in view of present extremely situation.

- Speedy disbursal of loans to companies should be ensured which have a clean track record to manage cash flows. Further, there should not be any penal interest on delayed payment of advance taxes for at least two quarters.
- Non-Performing asset recognition norms will need appropriate modification in National interest. Bank Guarantees should not be enhanced for non-performance for the benefit of industry.

- The margin requirements fulfilled for loans against shares should be reduced to 40% wherever it is more as the share prices have come down drastically at the unrealistic level.

- The Government should extend the time period for payment of policy premium for General Insurance to boost liquidity in the economy and the policy expiring in the lockdown period should be renewed automatically and be valid when the payment of premium is made after the lockout period.

- All concessions by RBI should be equally applied for banks/NBFCs/MFIs/ HFCs, among others to enhance the coverage and penetration of the benefit.

- There is moratorium announced by RBI to be followed by banking sector on the payment of all installments falling due between 1st March 2020 and 31st May 2020. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.

- However, the above measures have given tremendous relief to Indian companies; the same is not being extended by Insurance companies and Mutual Fund companies that provide finance to businesses like banks/ financial institutions. One of the reasons for non-extension of the relief measures by these companies may be that RBI is not the regulatory body for Insurance companies and Mutual Fund companies as they are regulated by IRDA and SEBI respectively. Therefore, RBI instructions are not binding on

Insurance Companies/ Mutual Funds and hence are refusing to provide the said moratorium to the companies.

- The above move by Insurance companies and Mutual Fund companies has resulted in a serious contradictory situation for Indian companies. For instance, LIC lends to various companies and is signatory to a common consortium document in all cases, therefore, making it at par with the banks. Thus, while servicing debts, banks would not allow extending any preferential treatment to LIC or Mutual fund debts, as all debts are legally equal and are governed by the common consortium documents.

- In this regard, it becomes crucial to have one standard instruction issued by other regulators in line with RBI's guidelines issued on 27th March 2020. We suggest three months moratorium should also be expanded to financing done by LIC and Mutual Funds to benefit Indian companies.

- In view of the above, we request that appropriate directions may be issued by the relevant authorities governing Insurance companies, Mutual Funds and other financiers granting the same relaxations as permitted by RBI with respect to the lending institutions to enable Indian companies to tide through these difficult times.

- In addition to domestic borrowings, Indian companies have also issued corporate guarantees to various offshore lenders to borrow capital for expanding their respective businesses which in turn provides significant employment opportunities as well as helps in building capital intensive industries in India and abroad.

- During this extremely difficult time, a majority of these foreign lending institutions that provide such loans tend to down-sell the loans to Distressed Asset Funds. These Distressed Asset Funds or "Vulture Funds" (as they are normally called) are in the business of finding an opportunity to make money in such difficult times. These funds tend to buy such loans at depreciated prices and exert undue pressure on the companies as well as the overall economy to make abnormal profits.

- In view of the above, the relief measures announced by the RBI should be further extended to encompass the loans that have been given by the Vulture Funds holding corporate guarantees of Indian companies. We sincerely request the following:

    - Appropriate instructions may be issued to RBI to declare a moratorium of at least one year on the invocation of overseas corporate guarantees issued by Indian companies. Thus, for the said period of moratorium, the Vulture funds should not demand debt servicing under the Corporate Guarantees.

    - Appropriate instructions may be issued to RBI to declare that the interest can continue to accrue in this regard and be paid as a bullet at the end of the moratorium period.

- The additional step of one-year moratorium on the invocation of corporate guarantees would not only support the economic recovery process but would also ensure the conservation of the country's Forex reserves by mitigating the risk of any undue pressure on currency exchange rates. In addition, it would enable Indian companies to invest more and mitigate the impact of pandemic COVID-19 on economy and industry.

2.4 Relief in mandatory compliances/utility bills/charges

- Condition of force majeure: Application of a condition of force majeure if it includes COVID-19, will resolve a number of fears of business, including but not limited to demurrage at the ports for ships that remain docked or are in sand heads waiting to be docked and also for Railway Racks waiting either for loading or unloading.

- Demurrage charges applicable on import air cargo by Customs Airports / cargo terminal operators should be abolished by 100% from 15th March 2022 to 22nd April 2020 to facilitate industry stakeholders dealing in international and domestic air cargo movements.

- Extension in pre and post shipment credit by a minimum of 180-270 days, exemption from interest and penalty on crystallization of bills on due date, loss in forward cover to be converted in interest free loan to be paid after 90-180 days. Repatriation period be enhanced from 9 to 15 months and exemption from caution listing under EDPMS till 31.3.2021.

- All the utilities bills should be deferred by 3 months such as electricity bills, gas bills, telephone bills, coal and PNG bills, among others to sustain liquidity with the industry stakeholders.

- For electricity and other utility Bills of center and state clause of minimum fixed charges should be waved and Government should charge on the basis of actual charges. Even the charges for the lockdown period too should be deferred without interest payable in 12 instalments after three months of lockdown period is over by 14th April 2020. Central Grid should charge accordingly so that State Government should be able to forward the rebate.

2.5 Wages and salaries of employees

- It is suggested that the Government should pay 75% of salary for lockdown period.

- Further, employer contribution in lock down period in PPFs should be brought down to zero and subsequently it is suggested that both employee and employer contribution is made 6%+ 6% for next 1 year after the lockdown period is over without cap on the number of employees in the organisation.

- Government has given facility of paying EPF share of industries & trade with certain conditions; we request to remove these conditions. The reform measure by the Hon'ble Finance Minister to make the payment of PF contribution of employees & employees with limit of Rs 15000 salary per month is appreciable and welcoming. However, the condition of 90% employees below Rs 15000 per month salary limits is creating hurdle in reaching the benefit to all industries & its employees. We request to withdraw this condition immediately.

- It is suggested that the Government can give ESI benefit of medical leave as an alternative to businesses paying full wages during the lockdown. We suggest considering the absentee of the employees due to COVID 19 lockdown period to be "medical absentee" & the medical leave salaries should be paid to all the employees who are Insured Persons under ESIC until the production is started.

2.6 MSMEs & Start ups

- Extreme support to MSMEs and Startups is seriously required to save them from the impact of pandemic COVID -19; they will belly up in next 3-6 months if immediate action is not taken by government.

- The need of the hour is to release all their outstanding payments from Government departments of Central & States both and PSUs immediately within 7 days or maximum by 15th April 2020. At this crucial juncture liquidity of MSMEs is facing serious pressure, therefore even going forward, under all circumstances this clause must be fulfilled by the Government Departments to the industry that payment is made within 45 days from the date of invoice by all the Central and State Government departments/ PSUs, among others.

- Smooth functioning of BSNL and MTNL without disruption due to payment problems is of paramount importance in this time of crisis for ensuring telecom connectivity in the country. We therefore request the Ministry of Finance and Ministry of Telecommunications to urgently release the full funds required under the relief package of Rs 69,000 crore to BSNL & MTNL, so that they may be able to release the payments of the MSMEs and other vendors pending for more than a year in most cases in this difficult time.

- We request the government to impress upon all PSUs and Govt Departments including Railways, Health Ministry, Ayush Ministry, BHEL, Electricity Boards etc to release payments to the MSMEs and other vendors urgently to facilitate the industry to run their factories after the lock-down.

- It is suggested that the State electricity Boards (SEBs) should be directed to clear dues of power companies.

- LIC can be roped in as a lending partner to the MSMEs and the Start-ups

2.7 Taxation

- The Government should abolish the tax on buyback of shares as the prices of shares have come down drastically and to the unrealistic levels amid pandemic Covid-19 impact on economy, trade and industry

- The long term capital gains tax should be brought down to zero to encourage investments in capital markets to boost confidence in the market and to encourage people to invest for the long term

- No interest and penalty on late payments of TDS to support people and industry in this difficult time.

- Presently, private limited companies are enjoying a concessional tax rate of 22% whereas LLP, partnership firms and Proprietorship are chargeable to tax at a higher rate of 30%. It is requested that tax rate of these non-corporate entities should also be reduced and be reduced to 25%. For new units it should be reduced to 15%.

- Advanced tax due on 15th June and all statutory dues falling in these 3 months from March 2020 should be deferred by 3 months. Further, all compliances related to all labor laws, factories act and other statutory compliances related to industry should be deferred by 3 months for the smooth functioning of businesses in this difficult time.

- Government tax collection targets to be suspended. There was too much pressure earlier on officers which was being forced on industry leading to massive litigation and vigilance issues.
- MAT should be postponed for one year.

- It is suggested to defer the deposit of TDS for next 6 months i.e. (From April 2020 to September 2020) by 7th of the 2nd month succeeding the month for which the TDS is payable. Example: TDS for the month of April 2020 should be allowed to be deposited by 7th June 2020 instead of current provision of 7th May 2020.

- It is suggested that instalment for advance tax for 1st Quarter of FY 2020-21 for which payment is to be made by 15th June 2020 should be reduced to zero (0) and instalment percentage for Quarter 2 for which payment is to be made by 15th September 2020 be reduced to half of the current instalment percentage. It is suggested that accordingly no interest u/s 234C of the Act should be charged on these 2 quarterly instalments of advance tax for A.Y. 2021-22.

- If the above suggestion is not considered, alternatively it is suggested to reduce the interest rate u/s 234C for instalment of 2nd quarter i.e. amount due to be paid by 15th September 2020 to 9% p.a. similar to the same introduced for 1st quarter of F.Y. 2020-21 as per Taxation and Other Laws (Relaxation of Certain Provisions) Ordinance, 2020

- It is also suggested that a moratorium period of 3 months should be provided in respect of interest u/s 234B for A.Y. 2020-21 i.e. April 2020- June 2020 as many assesses would not have been able to make payment till 31st March 2020 of the requisite tax payable due to the lockdown.

- Due to the lockdown imposed in various states from 23rd March 2020 and in the entire country with effect from 25th March 2020, many assesses such as business houses, professionals etc. have not been able to achieve the desired turnover and profit as estimated by them at the time of payment of advance tax resulting in excessive payment of tax for A.Y. 2020-21. Due to the same, they may have huge refunds due to them at the time of filing of return.

- It is suggested that directions should be issued to Centralized Processing Center (CPC) and field officers for expeditious issue of refunds for A.Y. 2020-21 i.e. within 30 days from the date of filing of return.

- It is also suggested that if the refunds are not issued within the time period of 30 days from the date of filing of return or they are wrongly adjusted, then the concerned officers should be held accountable for such delay or wrong adjustments.

- For an Indian citizen or Person of Indian origin availing benefit of Explanation 1 to Section 6, wherein the stay of 60 days is replaced with 182 days for the purpose of checking the residency of the individual in previous year, who could not travel out of the country due to lockdown, it is suggested that period of stay in India after 15th March 2020, at his option, shall be excluded for the purpose of calculation of residency in India under Section 6 for A.Y. 2020-21. In several cases, the extended stay in India was for factors beyond their control.

- This will help many non-residents to maintain their non-residency status and be not forced to become resident in India due to the lockdown. Becoming resident in India for such persons may lead to double taxation on their foreign income in India as the assesse may be liable to tax on same income both in India and outside India.

- As per Rule 30 of the I.T. Rules, 1962, for any income paid or credited for the month of March 2020, the due date for deposit of TDS shall be 30th April 2020. However, considering the situation of nationwide lockdown till 14th April 2020, it is suggested to increase the date of deposit of TDS to 31st May 2020 from 30th April 2020 for the TDS to be deposited for the month of March 2020 without payment of any additional interest. This will provide sufficient time to the deductor to compute and deposit their TDS liability.

- The Finance Act, 2020 has made many changes in the provisions of residency and how to compute residential status for individuals. It is suggested to defer the applicability of said provisions from A.Y. 2022-23 instead of A.Y. 2021-22 currently due to the current situation of Covid-19 pandemic in the world.

- In the current situation of lockdown prevalent in the world and in India, e-commerce operator are the backbone of the economy and they are assisting in providing basic necessities to the public. Thus, it is suggested to remove the equalization levy on e-commerce operator completely. This levy is not ease of business and the prescribed rate of equalization levy of 2% of amount of consideration received or receivable is excessive and should be removed.

- If the above suggestion is not considered, then it is suggested to defer applicability of equalization levy on e-commerce operator by 1 year i.e. to be applicable from A.Y. 2022-23 rather than A.Y. 2021-22.

- Finance Act, 2020 has inserted new provision to provide for TCS on sale of goods exceeding Rs. 50 lakh to a buyer in a financial year by seller having turnover of more than Rs. 10 crores in the preceding financial year. In view of this hardship and not being ease of business, it is suggested to remove the TCS on sale of goods completely. This levy of TCS is not ease of business and the prescribed rate of 0.1% of sale consideration is excessive and should be removed.

- If the above suggestion is not considered, then it is suggested to defer applicability of TCS on sale of goods by 6 months i.e. to be applicable from A.Y. 2022-23 rather than 01st October 2020.

- There is a need to provide a graded personal income tax cut, with no tax on income up to Rs 10 lakhs for FY19- 20 to provide relief to the lower and middle class

- Request for waiver of 9% Interest for GST returns deferment for businesses above Rs 5 crore annual turnover. The RBI has deferred the interest on working capital, which implies that after the moratorium, there will be an immediate burden of interest of three months on the outstanding working capital. Hence, we request for waiver of the said interest instead of deferment.

2.8 Insolvency and Bankruptcy/Companies Act

- Insolvency and recovery law including IBC Code, SARFESAI and DRT law will need suspension in all cases due to Force Majeure (natural calamity as recognized and clarified by Ministry of Finance). NAFRA has asked auditors of listed companies to submit detailed information in prescribed form. Time be extended up to 30/6/2020 as partners need mutual consultation on it.

- The Government should allow moratorium from any IBC proceedings till Sept 30, 2020.

- Immediate order to stay all civil and criminal proceedings till Sept 30, 2020, mainly arising due to failure in complying with all statutory requirements.

2.9 Pharma & AYUSH

- Being Essential Services it must be made compulsory that all staff & workers must report for duty OR will be deemed absent. Govt Orders of Hospitals & Health Department are getting delayed with penalties being imposed on Industry

- Raw Material/Packing Materials Supplies are seriously affected as HERBS Dealers and Packing Material Industries cum Dealers are not permitted to work & hence Pharma/Ayush sector cannot manufacture medicines.

- National Biodiversity Act even during this Lockdown is creating obstacles for AYUSH Industry & demanding CESS from them. Instructions may kindly be issued asking State Biodiversity Boards to not take any action/ create obstacles for Industry till 30th June 2020.

- Transportation is a major issue as the Transporters are refusing to go to the various States Districts & demanding unrealistic Fares.

- Raw Materials for Hand Sanitisers are being sold in Black specially Carbapol & IPA. The Government may look into this matter for the benefit of people and industry.

2.10 Hospitality Sector

- For the hotel industry, being a very capital intensive industry, large debt compared to revenue, needs a year of moratorium for principal repayments and relief/deferment for 6 months for interest payments. Business operates at ninety percent fixed costs and business takes time to build up, and it's a daily perishable commodity which cannot be stocked for future sale. The industry will become sick if this is not given.

- There should be a rent moratorium for restaurant industry for next 3-6 months. It is suggested to provide GST input credit to the restaurant chains with immediate effect. Further, restaurant industry should be provided with soft loans to tide over the liquidity crisis due to Pandemic COVID-19.

- In order to facilitate hospitality industry stakeholders which are adversely affected by COVID-19, it is suggested that interest subsidy of up to 6% for one year without any cap on the amount should be provided along with electricity subsidy at Rs. 4 per unit for one year, property tax waiver for the year 2020-

2021, postponement of repayments of loans till April, 2021 and soft loans with zero interest up to the amount of GST collected

- Liquor license fee should be reduced across the states by 50% for FY2021 and/or a split free structure instead of annual structure should be allowed.

2.11 Tourism Sector

- An additional promotional budget should be created by the Ministry of Tourism to promote domestic tourism as there is a less possibility of revival in arrival of international tourists in the coming times.

- It is suggested to remove the fees for any upcoming licenses and permit renewal for the hospitality and travel industry across states.

- Hotels pay a hefty bar license in addition to many taxes like property taxes. Therefore, the validity period of these taxes and licenses should be extended by at least one year without further payments.

- A six to nine months' moratorium on all working capital principle, interest payments on loans and overdrafts bringing in liquidity should be allowed for business continuity, without categorizing the companies as Non-Performing Assets (NPAs).

- It is suggested to defer for 12 months all statutory dues whether GST, Advance Tax, PF, custom duties, excise fees, water and power charges, licenses, bank guarantee across hospitality, travel & aviation industry in all States.

- It is suggested to restore of Service Exports from India Scheme (SEIS) scrips for duty credit of 10% to Tourism & Hospitality industry.

- The Government should share some percentage of salary as done in other countries. It is suggested to defray some portion of salaries of the employees through Mahatma Gandhi Employment Guarantee Act 2005 (MGNREGA) to entire travel and tourism industry in order to prevent employment loss. A minimum support on this account from the Government would go a long way for businesses to avoid layoffs.

- Fast track on all GST refunds for the industry wherever they are getting stuck is needed.

- Exempt GST on Foreign Exchange Billings by the Tour Operators for Inbound Tours.

- Delay in payment of TCS or scrapping TCS should be considered for the befit of industry.

- Ministry of Civil Aviation and DGCA should work closely with airlines, both International and Domestic, to protect crores of agent money lying with them.

- Refunds/ credits in favour of agents is needed at this juncture who paid to the airlines and not in favour of customers.

- Ministry of Tourism and IATA approved agents in India generates approx. Rs 45000 crores for International airlines and similar for domestic carriers. These agents still fill 85% of the passenger share with airlines and hotels. Restore our IATA commission which the right of an agent. If they respect the agents airlines and hotels will also flourish.

2.12 Real Estate and Housing

- It is suggested that stamp duty and registration charges on completed flats for a period of say 1 year should be reduced /waived off. This will be a huge fillip to not just the real estate sector but will also stimulate demand in core industries like cement, steel, electrical, etc., while at the same time providing employment opportunities. This could go a long way in rejuvenating economic activity.

- The RBI move will lower interest rates, but sentiment needs to be improved for home buying to be kick started.

- It is suggested that the enhanced interest deduction for home purchase should be brought down this year. For instance, for current year, the deduction of interest could be 200% of interest paid, followed by deduction of 175% of interest paid for 2nd year, deduction of 150% of interest paid for 3rd year and so on.

- This time bound incentive will help people to buy earlier to avail the full benefit and buy ready inventory to get more benefit. The Government should provide liquidity in the hands of buyers so that already finished inventory is cleared as soon as possible.

- The Government should release large funds and resources for on- going infrastructure projects and provide funds to complete stalled housing projects.

- Interest subvention in the form of 0% loan should be provided to any home buyer.

- Moratorium on Principal repayment and full waiver of interest on borrowings for six months from March 2020 till Sept 2020 are suggested for facilitating real estate sector.

- Deferment of loan instalments payments up to March 2021 by converting into 5 year Term Loan with one year moratorium, without affecting account classification and credit rating is crucial for the real estate sector.

- It is suggested that no immediate reporting of default like SMA 0/1/2/3, NPA, RBI default till Sept 2020 should be done.

- Businesses Transactions/projects closed down due to lockdown, will requires not only infrastructure support, but additional working capital to restart pending inflow.

- Minimum statutory compliances for direct and indirect taxes are required to be complied to provide ease.

- No reopening of old cases should take place of direct and indirect taxes during FY 2020-21. Specially, no cases should be reopened for AY 2013-14, time barring on 31.03.2020 and extension of FY given is to provide relief to taxpayers.

- We suggest to extend additional facilities, flat @30% of existing facility, as Working Capital Demand Loan, with 6 months moratorium and 36 months repayment, on existing security, to overcome cash flow mismatch.

- Government may propose more Robust policy to address the pay-cut of employees keeping Economic Slowdown and troubled Industrial financial status. Amid COVID-19 crisis government is adopting citizen centric approach however the economic slowdown and recession in immediate future is inevitable, hence government should also consider the dwindling financial growth of corporates specially in housing and urban development which is one of the highest employment generating sector in the country, to allow flexibility on case to case basis on restructuring compensation of the employees and its payment over the period of time.

- The minimum wages of the construction labour should be borne by the government utilising labour cess funds collected from the developers, during COVID-19 crisis.

- Since long real estate is demanding for an industry/Infrastructure stature for easy accessibility of credit from financial market. Therefore, we suggest that the Government should granting Industry/Infrastructure status to real estate.
- We request the Government to introduce fresh liquidity of at least 20% of the loan sizes on case to case basis.

- Central Advisory to RERA to extend timeline for the projects due to COVID-19 disruption for 06 months to 01 Year.

- Moratorium period of six months should be allotted for paying local body taxes like Municipality and Property.

- Ongoing Projects can be considered as assets for granting credit to developers.
- Interest waiver of zero period in UP should be given amid COVID-19 for two years.

- Developers who have applied for part or partial Project competition must be given completion certificate to avoid financial stuck bound amid COVID-19.

2.13 Construction Sector

- COVID-19 should be declared as a Force Majeure event for all construction contracts, Architectural & engineering design contracts under implementation or under service (DLP, concession, O&M etc).

- The Government agencies/ departments should support by immediate release of all certified bills overdue and at least 75% of uncertified invoices submitted within 7-10 days. All projects should be given an immediate Extension of Time (EOT) of six months and compensation of overheads upfront.

- Compensation should be given to all Construction companies towards reimbursement of wages paid to labour/ workers, salaries paid to employees.

- To boost and ensure continued cash flows, it is suggested to dispense with the recovery of the Retention Money from the Monthly payments for a year, release retention monies already recovered and waive interest on mobilization advance provided, for the next twelve months.

- Where Construction firms have arbitration awards (including accrued interest) in their favour, the following may be approved by Government without seeking any Bank Guarantees:

  i. Immediate release of 50% of the amount due where the award is challenged under S/34
  ii. Where Section 34 Application is disposed of by Court, pay 75% of the amount due
  iii. Where Section 37 Appeal is disposed off, pay the total amounts due
  iv. Notwithstanding the above, Government Agencies may offer 75% of Arbitration Award monies as full and final settlement, irrespective of their stage of challenge

- Banks should provide additional working capital to each company, irrespective of account status, else credit and working capital will only be available to select larger companies with superior credit ratings.

- Enhancement of threshold limit of Rs 1 lakh to Rs 1 crore for IBC against MSME companies (as declared by Hon'ble Finance Minister) should also be extended to Construction industry also.

2.14 Agriculture and Food Processing

- Immediate reduction by 4 percent in GST slabs for all products of Agro processing/ processed food manufacturers is required for mitigating the impact of pandemic COVID-19 on trade and industry.

- Interest subvention of 4 percent for a period of 12 months should be provided against working capital requirement for all agro processing / food processors/ Food parks as they will need Creation of a special funding line is suggested for all hospitals immediately, as there is a huge drop in footfalls and elective surgeries.

- To buy the farm produce for upcoming Kharif and then Rabi seasons. Liquidity to these companies will ensure that they are able to support the farmers in this time of need and avoiding rural distress.

2.15 Auto Sector

- The trucks, containers are standing at different locations for which Government of India has already issued orders which are not yet followed by most of the state police. Immediate action is required for smooth movements at this juncture.

- Auto industry is a major contributor to economic recovery, at this juncture; the Government should reduce GST to 18% from 28% now for the next 3 years after which it may be reverted back. It will boost demand and loss of revenue will be only notional as increased sale could make up for lower revenue.

2.16 Chemicals Sector

- Government of China has increased export benefit or incentives for manufacturing goods to 13% from 0%, 9% and 10% from 1st April 2020 on major products. At this backdrop, we suggest the Government to form an action plan to provide incentives for manufacturing goods to make Indian Manufacturing more competitive on a global level as compared with China and FTA Countries.

2.17 Textiles and Apparels

- A significant amount of salaries/wages for April and May should be paid by the Government or reimbursed to the businesses. This is an essential support for the businesses, especially SMEs (less than Rs 250 crore top line) and export dominant companies. It may be mentioned that UK Government has set up the Coronavirus Job Retention Scheme covering 80% of the salary of retained workers up to a total of Euro 2,500 a month.

3. Suggestions for Long term measures by the Government

3.1 Corporate Tax rate cut for MSMEs

- The recent cut in corporate tax for domestic firms is highly appreciable as it will significantly accelerate investments in manufacturing, open up new employment opportunities and kick start economic growth trajectory of the country. Going ahead, we suggest that the Corporate Tax for proprietorship and LLPs which are more than 95% of MSMEs should be reduced to the level of 25% for old and to the level of 15% for newer companies in this difficult time.

3.2 Cut the custom duties on basic raw material

- There is a significant fall in the value of rupee against USD during the last few weeks and rupee has become extremely volatile. Therefore, it is suggested to cut the custom duties on basic raw material by at least 5 percentage points to take care of Rupee devaluation and to mitigate the impact of rupee depreciation on the costs of raw materials.

3.3 Reduction in repo rate by 100 bps

- India's ease of doing business has improved significantly over the years; therefore, to reduce the cost of capital we need further reduction of 100 basis points in the Repo Rate. This will reduce the cost of capital and will help to maintain and rejuvenate domestic demand. Further, reduced cost of\ capital will enhance the competitiveness of exporters in international market.

3.4 Merging the 18% GST tax slab with 12% tax slab

- During the Lehman crises in 2008, the excise duties in India were reduced significantly to provide respite to the industry, as part of the stimulus package. On the similar grounds, we suggest to rationalize the GST rate structure by merging the 18% tax slab with 12% tax slab.

3.5 Recapitalization of banks

- Further recapitalization of banks is required as it would play a pivotal role in supporting and restoring the financial health of the Public Sector Banks (PSBs). This would further provide major impetus towards credit growth, creation of employment opportunities and acceleration of growth of economy.

3.6 Capex expenditure to remain intact

- We urge the Government to keep the capex expenditure intact in the coming times, even if the fiscal deficit increases by 2% to 2.5%. Also, Continuous and enhanced consumption expenditure is required to revive the demand scenario in the economy which will refuel the growth and help manufacturing sector to grow and increase the capacity utilization and create employment opportunities in the economy.

3.7 One-time restructuring of loans

- One-time restructuring of loans is required as it will not only help the struggling business' operations by giving them a new lifeline but would also help them raising necessary funds/finances in view of improved balance sheet, which would eventually contribute to keeping the foundation pillar of the economy strong and growing.

3.8 Reduction in the premium on life insurance policies

- We suggest reducing the premium on the life insurance policies so that people can afford them and get adequate insurance covers for workers in this extremely difficult time of pandemic covid-19.

3.9 Domestic capacity building

- Domestic capacity building should be enhanced to not only mitigate the impact of Coronavirus but also to provide an opportunity to increase India's presence in global exports particularly towards our top export destinations.

3.10 Boost entrepreneurship

- We suggest the Government to take more and more measures to boost entrepreneurship in the country to increase job creation, wealth creation, foster innovation, and attract foreign investments and trade in the country.

3.11 Increase spending on infrastructure

- The allocation of Rs 102 lakh crore made for the National Infrastructure Pipeline for next five years needs to be implemented, as increased spending in infrastructure will give a multiplier effect and rejuvenate the aggregate demand in the economy and mitigate the impact of Corona Virus of the growth trajectory of the country.

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