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Tryst with GST: Midnight launch makes India on road to becoming bigger market than EU

Goods and Services Tax (GST), India's biggest tax reform, was launched at midnight of 30 June by Prime Minister Narendra Modi at Parliament's historic Central Hall, in the presence of President Pranab Mukherjee. Nearly 1,000 dignitaries were witnessed the launch. It is the fourth time since Independence that an event was held there at midnight and new carpets and sound systems were installed in the Central Hall for the big night. Several other opposition parties too are staying away. GST, which replaces a slew of indirect taxes with a unified tax, is set to dramatically reshape the country's 2 trillion dollar economy.

The biggest tax reform in Independent India, the goods and services tax (GST), was finally rolled out at the midnight hour on Friday, the 30 June with President Pranab Mukherjee and Prime Minister Narendra Modi pressing a button to mark the occasion in the historic central hall of Parliament.

And, it was a historic moment. as the Goods and Services Tax (GST) was launched at the historic Central Hall of Parliament on Friday midnight. Factually, it is Goods and Services Tax but PM Narendra Modi termed the GST as 'good and simple tax'. Launching the big tax reform of GST, Prime Minister Narendra Modi during the midnight event said that it will put an end to harassment of honest traders and small businesses while integrating the country into one market with one tax. The Prime Minister said that the new tax is simple and transparent that would end corruption and check black money. PM Narendra Modi added there will be one tax from Ganganagar to Itanagar and Leh to Lakshadweep. "GST is a catalyst which will remove trade imbalance and promote exports," PM Modi said.

Calling the GST "a good and simple tax", Modi said the country was moving towards a modern taxation system, much simpler and more transparent than the existing one. "From Gandhinagar to Itanagar, from Leh to Lakshadweep, the dream of one nation, one tax will come true," he added.

The GST replaces 17 central and state taxes, including services tax, value-added tax, octroi, duties and other charges, except Customs levy, across the country except in Jammu and Kashmir. The tax will create a common market in the $2-trillion economy with 1.3 billion people. It is expected to curb "tax terrorism and inspector raj".

GST is billed to integrate India into a common market, bigger than the European Union. Proponents say that by doing away with the plethora of taxes and barriers on state borders, GST will accelerate economic growth.

But while the promise is enticing, apprehension of disruption has been straining the nerves of policymakers, and businessmen, both large and small.

The Centre has ignored calls to postpone the launch by at least a few months and chosen to press ahead with it. The high-profile midnight launch in the Central Hall of Parliament has certainly raised the stakes for the government.

However, the government is seeking to buffer the initial bumps, which, it concedes, can't be avoided because of the scale of the task and the size of the country.

GST – the most awaited reform:

Much has been talked about the genesis of GST, but very little is known about its origin. Incidentally, in 1986, former finance minister VP Singh introduced Modified Value Added Tax (MODVAT) under the Rajiv Gandhi government. MODVAT was believed to be somewhat similar to GST.

The MODVAT is believed to have laid foundation for the idea of a unified taxation law in India. After Rajiv Gandhi, it was Narsimha Rao government under which former prime minister Manmohan Singh, who was the then finance minister, endorsed Value Added Tax. After Narsimha Rao government, under the BJP-led government under Atal Bihari Vajpayee then finance minister Yashwant Sinha worked towards abating the dispute over sales tax.

It was in 2000, when the Vajpayee government agreed to have a discussion over GST. The BJP government, in order to create a roadmap for the implementation of GST, formed a committee under the leadership of the then finance minister of West Bengal Asim Dasgupta.

Tracing the trajectory of the law, it can be said that GST has been in the pipeline for the last 17 years. Now that the historic moment has come, PM Modi and his entourage are most likely to use it during their rallies for the 2019 Assembly elections.

Bribes, borders and middlemen: Why India's GST is a game changer:

Rolling a truck of vegetables into Gujarat, the state once governed by Prime Minister Narendra Modi, requires a bribe of 500 rupees to 2,000 rupees even with your papers in order, according to Rakesh Kaul, vice-president of Caravan Roadways Ltd., which has about 400 trucks plying India’s pot-holed road.

But getting past the state tax collectors into Uttar Pradesh, India’s most populous state, will cost you more: Upwards of 20,000 rupees, Kaul says. The penalty for not paying off the right people is steep fines from factories whose raw materials are stuck at state borders sometimes for as long as five days.

That’s why he and other companies are cheering the July 1 implementation of India’s biggest tax reform since independence in 1947. The move will replace more than a dozen levies with a new goods and services tax. That should help reduce the immense power India’s myriad middlemen wield at state borders, free up internal trade, make it easier to do business and widen the country’s tiny tax base.

“Even if your documents are correct, they will find some small error and hold your vehicle,” Kaul says in his New Delhi office, located in a dusty trucking depot where hundreds of drivers sit near their brightly painted trucks in the 42-degree Celsius (108-degrees Fahrenheit) heat. “Once GST is there, all that is gone.”

Common Market:

The new tax would be Modi’s most significant economic reform since coming to power in 2014. Yet with less than two weeks to go before its implementation, the government is still refining the details, announcing recently it would relax initial filing requirements for July and August amid concerns businesses were not ready. Despite the last-minute tweaks, Finance Minister Arun Jaitley confirmed the tax would roll out on July 1.

While India already boasts one of the world's fastest growing major economies, architects of the reform say it will stoke efficiency and growth by creating a common market of 1.3 billion consumers, a population greater than the U.S., Europe, Brazil, Mexico and Japan combined.

Quick Take explainer on the new GST:

Take the border crossings: Lorry drivers in India lose 60 percent of transit time to road blocks, tolls and other stoppages, which means logistics costs are up to three-times higher than international benchmarks. While truck drivers may still need to stop to have their goods checked, cut that time in half, and logistics costs could fall by up to 40 percent, according to a 2014 World Bank report.
There's no shortage of hyperbole when it comes to describing the GST changes, which took more than a decade of protracted negotiations before Parliament pushed it through. The government's chief economic adviser Arvind Subramanian described it as "transformational."

Four Brackets

The GST rollout comes less than a year after the government's surprise move in November to remove 86 percent of currency in circulation -- a decision that contributed to a sharp slowing in growth during the January to March quarter. While the GST is seen as a leap forward in simplifying India's system, getting the reform across the line has required compromises: India will have four tax brackets instead of the flat rate many other countries have.
Air conditioners, refrigerators and makeup will be taxed at 28 percent, for example, while toothpaste lands at 18 percent. Plane tickets attract a 5 percent GST rate, but business class tickets are 12 percent. Staples such as food grains and fresh vegetables are not taxed, while education and health services will continue to be exempted.

Different Countries

The incoming GST will also force companies to consolidate their supply chain among fewer, larger facilities, says Vineet Agarwal, the managing director of Transport Corp. of India Ltd., which has about 10,000 trucks and around 11 million square feet of warehouses.

One of the biggest goals of the GST is to widen the tax net in an economy where more than 90 percent of workers are employed informally. Companies will need to be in the tax system and prove they paid taxes to claim a credit against their costs. Pressure to comply will increase along the line and the black economy should shrink.

Inevitable Disruption

Still, the tax may throw up losers. Manufacturing states may initially suffer as the extra revenue is generated in more populous consuming states. There are also sectors untouched by the new tax, including alcohol and real estate. Thousands of tax staff will also need to be trained and complex new IT systems adopted.

To be sure, India isn't alone in introducing a new tax that crosses jurisdictions and territories. More than 150 countries have a value added tax or GST including Canada, Australia and the European Union, according to Deloitte.

That informal workforce includes Babu Ram Rajput, a 28-year-old trucker in jeans and sandals who regularly drives goods across a vast swathe of north India.

So What is GST?

Set to revolutionise the way India does its taxes, GST will be levied on value additions+ at each stage of the production cycle - buying raw materials, processing, manufacturing, warehousing and sale to customers - the monetary worth added at each stage to achieve the final sale to the end customer will be taxed. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

In what makes it significantly different from the existing system, GST is a destination-based tax. Currently, the central government levies excise duty on the manufacture, and then the state adds VAT (Value Added tax) when the item is sold to the next stage in the cycle — i.e. from processed raw material like rubber to be manufactured into tyres. Then there would be a VAT at the next point of sale - i.e. when the tyre is sold to the dealership and then to the consumer and so on.

If the tyres are made in Tamil Nadu and used in Delhi, under the GST regime, Delhi will earn the revenue on the final sale, because it is a destination-based tax and this revenue will be collected at the final point of sale/destination. Tamil Nadu will however get the benefits of GST levied at the earliest stages of manufacturing since the tyre was made there.

One Nation, One Tax? Not Quite, Not Yet

GST would apply to all goods other than crude petroleum, motor spirit, diesel, aviation turbine fuel and natural gas. It would apply to all services barring a few to be specified. With the increase of international trade in services, GST has become a global standard. GST will ensure that indirect tax rates and structures are common across India and increase the ease of doing business. This would make doing business in the country tax neutral, irrespective of the choice of place of doing business.

The government has opted for four slabs for both goods and services — 5%, 12%, 18% and 28%. In addition, several items face zero levy, while bullion will attract 3% GST and luxury and sin goods that are in the top bracket will also attract a cess that will be used to compensate states for revenue loss.

Central GST (CGST) which will be levied by Centre

State GST (SGST) Which will be levied by State

Integrated GST (IGST) - which will be levied by Central Government on inter-State supply of goods and services.

Revenue secretary Hasmukh Adhia has said that the ultimate goal of the government should be to move to a single- or dual-rate goods and services tax regime.

The push for bringing in GST in India under a "one country - one tax" solution is probably the second most radical game changer in the Indian economy after the demonetisation exercise conducted a few months ago by the Narendra Modi-led BJP government in India. Looking to radically push the economic output for the country, the government had been prioritising on removing red tapes, which have been clogging the business and investment pipelines in the country for many decades. Aggressive initiatives such as the "Make in India" drive, along with the likes of land and economic reforms, and seeking to increase foreign direct investments (FDI) into the country signify and cement the priorities set by the government in the country. While the government did face quite a hurdle in passing the GST bill, India finally has the uniform taxation policy from July 1 onwards.

What this means for India:
India's taxation has been archaic and downright difficult to handle, especially considering the various different state and central taxes in play including the Central Excise Duty, Service Tax, Countervailing Duty, Value Added Tax (VAT), Central Sales Tax (CST), Entertainment Tax and Luxury Tax. Amalgamating several of these state and central taxes into a single tax would mitigate cascading or double taxation, facilitating a common national market and lead to easier administration and enforcement.

From the consumer point of view, the biggest advantage would be in terms of a reduction in the overall tax burden on goods, which are currently estimated at 25-30 percent, facilitate free movement of goods from one state to another without the prolonged paperwork and queuing at state borders for hours for the payment of state tax or entry tax, to a large extent.

This would also translate to facilitating a high-growth trajectory for the Indian economy. However, the key to the reform's success would very much depend on how it is being implemented, and considering the deadline is fast approaching, there are still signs that Indian industry and especially rural and semi-urban businesses are ill equipped for such a major transformation. There is also inherent that the short-term impact may be as significant as demonetisation, if businesses, especially in the rural and developing areas, prove unable to adapt to the new system in the middle of 2017-18 fiscal year.

Whilst these challenges are daunting, the long-term benefits of the GST could prove its most attractive element, with lower tax evasion and reduced costs for governments and businesses making the Indian business landscape ripe for even greater investment. It would also further cement India's position as the world's most pre-eminent growing economy and a leader amongst other countries that follow suit and implement a similar tax.

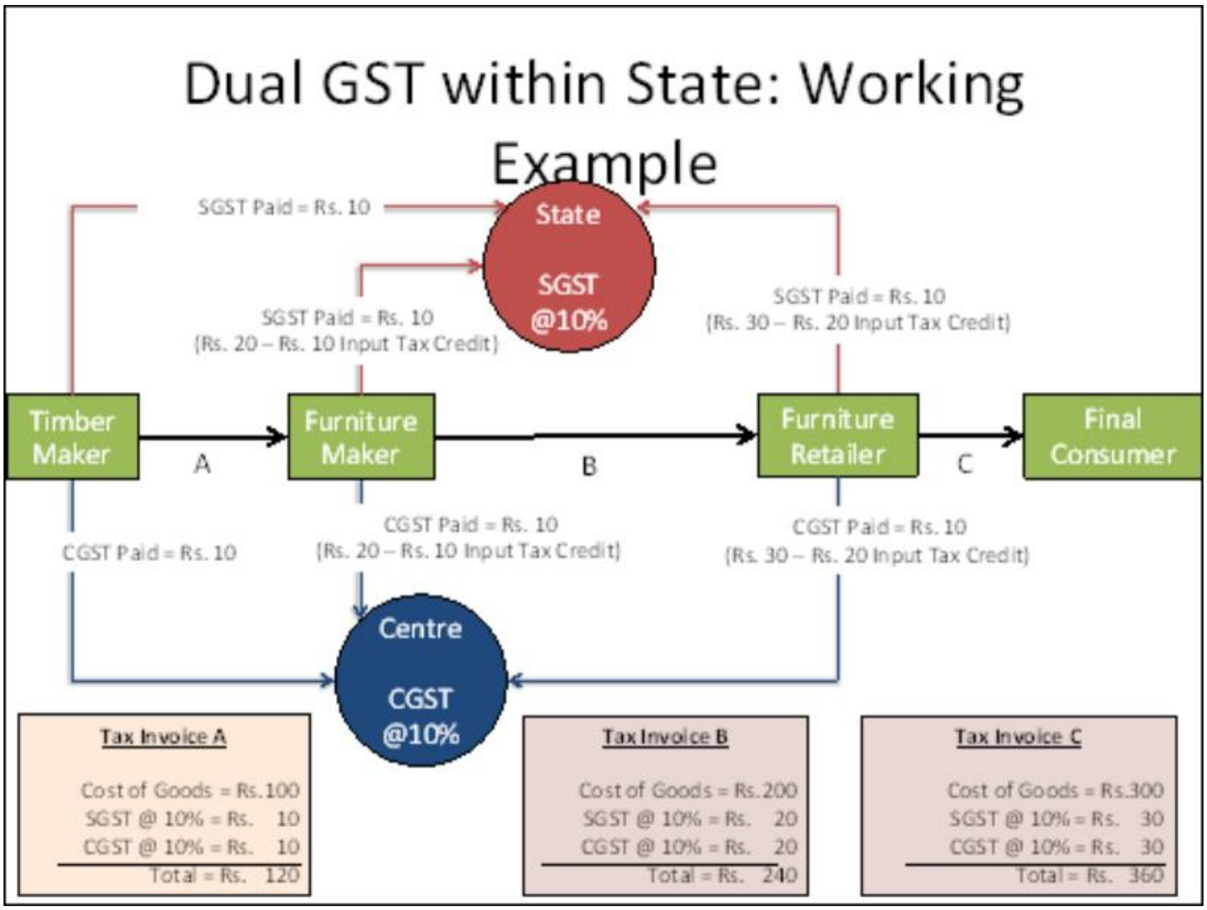
Key takeaways for foreign firms:
As for foreign businesses operating in India or looking to set up shop in the subcontinent, the singular taxation system will unify India's 29 states into a single market - just like how the European Union operates. The current complex and often overlapping tax system proved to be a daunting experience for foreign investors, which the GST will now ease. Foreign business and manufacturers will also be more confident and inspired to enter India as the GST system intends to abolish the interstate toll checkpoints which will make the movement of goods between states much easier and cheaper.

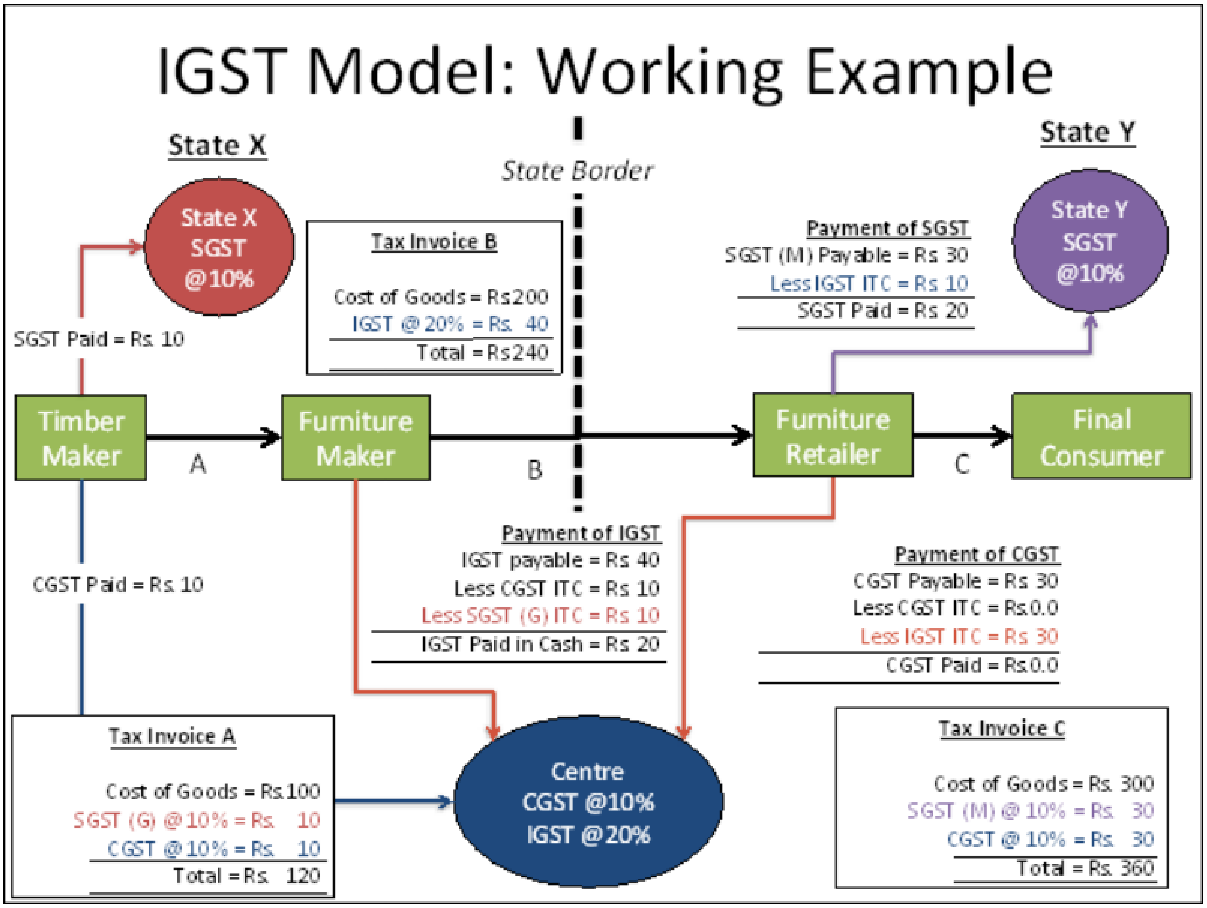
Another important aspect of the implementation of the GST is the soft power that it demonstrates. The Indian government will take up the implementation of GST as a living proof the commitments and bold decisions it can take to create a predictable environment for foreign investors. With the many foreign trips slated for the summer, including to Germany, Spain and Russia in the coming weeks, the Indian Prime Minister Narendra Modi will surely bring this up during his diplomatic interactions in a bid to attract more investments into India.

One of the growing concerns with regards to the taxation debate has always featured direct and indirect taxation. While some argue that the GST policy heavily depends on the indirect taxation, other than focusing on a direct taxation on the elite, it has to be understood from the abilities and possibilities from India as such. Unlike the well to do GCC economies from the Middle East which have a cash rich industry such as the oil trade to support and supplement its governance, India is largely fragmented.

An indirect taxation, therefore, makes it a shared burden on the people, which is workable. We also have the menace of tax defaulters and money launderers operating out of the very many loopholes present in the archaic laws. A system which heavily relies on direct taxation will, therefore, be very difficult to manage. Of course, after the roll out of GST, it is very important that the Indian government now focuses on initiating reforms to also straighten direct taxation as well.

But pending that here's a graphic example of how the system as implemented from July 1 will work:





Many VATs and levies currently in vogue will be subsumed by the new system come July 1.

At the Central level, the following taxes are being subsumed:

1. Central Excise Duty,
2. Additional Excise Duty,
3. Service Tax,
4. Additional Customs Duty commonly known as Countervailing Duty, and
5. Special Additional Duty of Customs.

At the State level, the following taxes are being subsumed:

1. Subsuming of State Value Added Tax/Sales Tax,
2. Entertainment Tax (other than the tax levied by the local bodies), Central Sales Tax (levied by the Centre and collected by the States),
3. Octroi and Entry tax,

4. Purchase Tax,

5. Luxury tax, and

6. Taxes on lottery, betting and gambling.

FM bets on GST, NPA resolution to lift India's economy

The roll-out of the goods and services tax (GST) combined with the resolution of banks' bad asset problem would give a big push to the economy and lift GDP growth rate from the fourth quarter lows of 6.1 per cent, finance minister Arun Jaitley said recently. Speaking a day after data showed that annual economic growth unexpectedly slipped to 6.1 per cent in the January-March quarter, its lowest in more than two years, Jaitly refused to accept the theory that the slip owed to the demonetisation exercise. Prime Minister Narendra Modi's shock decision last November to scrap high value banknotes, in the government's hunt for black money. took 86 per cent of currency out of circulation virtually overnight, nearly freezing economic activity.

The move aimed at flushing out illicit wealth, however, pounded consumer demand in the cash economy.

"There are several factors which can contribute to GDP in a particular quarter," Jaitley told a news conference. "There was some slowdown visible, given the global and domestic situation, even prior to demonetisation." The economy had recorded annual growth of 7.5 per cent in July-September before Modi removed the high cash. However, despite the cash crunch at its peak in the October-December quarter, growth was 7 per cent, letting India remain the fastest growing major economy.

Economic expansion in the latest quarter, lower than China's 6.9 per cent, was hurt by a slowdown in farming, manufacturing, services and construction activity.

Addressing the media, the finance minister said the new federal taxation, which is now at the last stage of its implementation, will bring transparency, simplicity and efficiency in the tax administration.

Jaitley said that while the blip in economic growth is short-term, the NDA government has been able to restore the credibility of the Indian economy and the phasing out of corruption and indecisiveness would itself give a further fillip to economic growth.

Jaitley also pointed to other initiatives of the government, such as the implementation of JAM (Jandhan, Aadhar Mobile) trinity based financial inclusion system under which a law relating to Aadhar was enacted so that resources are optimally utilised by plugging the leakages and eliminating the underserved category of beneficiaries.

On demonetisation, Jaitley said, the decision has helped the government in three ways, first by having greater movement towards digitisation of transactions, second, in widening of the tax payers base which contributed to increase in the revenue collections by more than 18 per cent during 2016-17 and third, by sending a strong message that it is no longer safe to deal in cash.

The finance minister said that demonetisation has established a 'new normal'.

He also highlighted the government's achievements in the financial sector, including policies for resolution of banks' bad debt, boosting private sector investment, the Make in India initiative etc.

India to set up four think tanks to get help on trade talks

India is setting up dedicated think tanks for global trade and investment issues, a model effectively adopted in the developed world that is expected to be helpful especially because the country lacks a permanent negotiating team at international fora.

The Department of Commerce under the commerce and industry ministry is setting up four centres — for trade and investment law, trade promotion, regional trade and capacity building — to conduct quality research as well as to influence international discourse on issues of India's concern. "These centres will help the government with more research and institutional memory," said an official.

Unlike other countries, where trade negotiators remain on the job for 20 years, the trade negotiating team in India is not permanent. This is because trade negotiators are pulled from government services such as the Indian Administrative Service, Revenue Service and Economic Service, and their continuation in a position is governed by the usual transfer posting rules, making it difficult for them to continue for long durations.

Experts said frequent changes in the team affect both the quality of negotiations at international fora and the final outcome.

They said the centres will help fill the gaps in the current structure of official trade delegations, in which there is often inadequate representation from think tanks. "These centres should do systematic and unbiased analyses on all critical issues in bilateral and multilateral negotiations," said Biswajit Dhar, professor at Jawaharlal Nehru University and former head of Centre for WTO Studies. "They should then advise the government and provide negotiating options. This is what seems to be lacking at present."

To be set up on the lines of the existing Centre for WTO Studies, all four centres will also be part of the Indian Institute of Foreign Trade but located elsewhere. "Continuity is very important in negotiations, which these centres can offer in the long run," Dhar said, commenting on the solid backup these centres will offer in case of frequent movement of negotiators.

The ministry has already appointed the head for Centre for Regional Trade, which will conduct independent research and advise the ministry on trade and investment relevant to specific regions including Africa, ASEAN, China, EU, Japan and Korea, among others.

Indian PM Modi visits Portugal strengthens economic ties

Prime Minister Narendra Modi on 24 June held talks with his Portuguese counterpart Antonio Costa and discussed ways to further intensify bilateral relations. Modi, who arrived in Portugal on the first leg of his three- nation tour, said his brief visit will further strengthen relations between India and Portugal. Departing from protocol, Portuguese Foreign Minister Augusto Santos Silva received Prime Minister Modi at the airport earlier in the day. Modi is the first Indian Prime Minister to visit Portugal on a bilateral trip, Baglay said. Before leaving for Lisbon, Modi had said during his meeting with Costa, the two leaders will build on their recent discussions and review the progress of various joint initiatives and decisions.

Portuguese Prime Minister Costa tweeted this is an excellent opportunity to review the implementation of the accords agreed during his India visit and sign new agreements.

Costa had visited India in January this year. Modi and Costa announced the launching of the India-Portugal Start-Up Hub to encourage business ventures by entrepreneurs in the two countries, along with several other bilateral agreements on science, sport and taxation.

Ease of Doing Business: India Overtakes China To Top Global Retail Index, Says Study

Rapid urbanisation and a growing middle class with higher income levels are driving up consumption across the country, global management consulting firm A T Kearney said.

India has surpassed China to secure the top position among 30 developing countries on ease of doing business, according to a study by global management consulting firm A T Kearney. The report cited India's rapidly expanding economy, easing of foreign direct investment (FDI) rules and a consumption boom are the key drivers for India's top ranking in the Global Retail Development Index or GRDI. The 16th edition of GRDI - 2017 Global Retail Development Index - ranks the top 30 developing countries for retail investment worldwide and analyses 25 macroeconomic and retail-specific variables.

The GRDI report, titled 'The Age of Focus', ranks China in the second place. Despite its slower overall economic growth, the market's size and the continued evolution of retail still make China one of the most attractive markets for retail investment. "The study is unique in that it not only identifies the markets that are most attractive today, but also those that offer future potential," US-headquartered A T Kearney said in a statement.

On India, the report said the country's retail sector has been growing at an annual rate of 20 per cent. Total sales surpassed the $1 trillion mark last year and the sector is expected to double in size by 2020. "Retail is an integral part of Prime Minister Narendra Modi's development initiatives, Skill India and Make in India, because of its job creation opportunity. Relaxed rules for foreign direct investment (FDI) in key sectors have improved the ease of doing business in India," it said.

"In the past year, the government has allowed 100 per cent foreign ownership in B2B e-commerce businesses and for retailers that sell food products manufactured in India. Government efforts to boost cashless payments (witnessed in the recent nationwide demonetisation exercise) and reform indirect taxation with a nationwide goods and services tax (GST) are also expected to accelerate adoption of modern retail," it added.

Rapid urbanisation and a growing middle class with higher income levels are driving up consumption across the country, the consultancy group said.

India's retail sector has also benefited from the rapid growth in e-commerce. It is projected to grow 30 per cent annually and reach $48 billion by 2020. Retailers have been quick to seize the opportunity with 86 per cent of e-commerce dominated by pure-play online retailers in 2016. The Indian government's effort to boost cashless payments (witnessed in the recent nationwide demonetisation exercise) and reform indirect taxation with a nationwide goods and services tax (GST) are also expected to accelerate adoption of formal retail, it said.

"India's top ranking is a clear vote of confidence in its retail market and vast growth potential," said Debashish Mukherjee, partner with A T Kearney and head of the consumer industries & retail products practice for India.

Mumbai ranked India's most expensive city for expatriates

Mumbai has emerged India's most expensive city for expatriates, climbing 25 places to 57th in the Mercer cost-of-living ranking on the back of rapid economic growth, inflation on the goods and services basket and a stable currency against the US Dollar.

Mumbai, also the most populous city in India, is followed by New Delhi (99) and Chennai (135) which rose in the ranking by thirty-one and twenty-three spots, respectively. Bengaluru (166) and Kolkata (184), the least expensive Indian cities, climbed in the ranking as well. Elsewhere in Asia, Bangkok (67) jumped seven places from last year. Jakarta (88) and Hanoi (100) also rose in the ranking, up five and six places, respectively. Karachi (201) and Bishkek (208) remain the region's least expensive cities for expatriates.

In fact, Mumbai (57) is ranked more expensive than cities like Auckland (61), Dallas and Paris (62), Canberra (71), Seattle (76) and Vienna (78) . New Delhi and Mumbai have become more expensive over the last year, and their rankings have gone up substantially. "Residential rental prices increased in Mumbai and New Delhi. Due to demonetization, real estate sales market has been severely hit. However, the rental market benefitted from the consumers' sudden withdrawal from the purchase market, thereby putting pressure on rental prices" said Ruchika Pal, India Practice Leader, Global Mobility at Mercer. Mercer's 2017 Cost of Living Survey finds Asian and European cities – particularly Hong Kong (2), Tokyo (3), Zurich (4), and Singapore (5) – top the list of most expensive cities for expatriates.

The costliest city, driven by cost of goods and security, is Luanda (1), the capital of Angola. Other cities appearing in the top 10 of Mercer's costliest cities for expatriates are Seoul (6), Geneva (7), Shanghai (8), New York City (9), and Bern (10). The world's least expensive cities for expatriates, according to Mercer's survey, are Tunis (209), Bishkek (208), and Skopje (206).

Mercer's annual Cost of Living Survey finds African, Asian, and European cities dominate the list of most expensive locations for working abroad. Since mobility has become a core component of multinational organizations' global talent strategy, and the number of international assignees working in number of locations has increased, organisations are focusing on evaluating assignments from a cultural perspective, preparing for regional and lateral moves, and modifying compensation approaches to stay competitive.

As organizations grapple with these challenges, they are working hard to accommodate the needs of their workforce and to support employees' careers. According to Mercer's 2017 Global Talent Trends Study, fair and competitive pay as well as opportunities for promotion are top priorities for employees this year – not surprising given the current climate of uncertainty and change.

India top remittance-receiving country in 2016: UN report

Indians working across the globe sent home $62.7 billion last year, making India the top remittance-receiving country surpassing China, according to a UN report. Remittance flows have grown over the last decade at a rate averaging 4.2 per cent annually, from 6 billion in 2007 to 5 billion in 2016.

Indians working across the globe sent home $62.7 billion last year, making India the top remittance-receiving country surpassing China, according to a UN report. The 'One Family at a Time' study by the

UN International Fund for Agricultural Development (IFAD) said about 200 million migrants globally sent more than $445 million in 2016 as remittances to their families, helping to lift millions out of poverty. Remittance flows have grown over the last decade at a rate averaging 4.2 per cent annually, from $296 billion in 2007 to $445 billion in 2016. The study is the first-ever of a 10-year trend in migration and remittance flows over the period 2007-2016. It said 80 per cent of remittances are received by 23 countries, led by India, China, the Philippines, Mexico, and Pakistan.

The top 10 sending countries account for almost half of annual flows, led by the US, Saudi Arabia, and Russia. The study said India was the top receiving country for remittances in 2016 at $62.7 billion, followed by China ($61 billion), the Philippines ($30 billion) and Pakistan ($20 billion). In the decade between 2007 and 2016, India surpassed China to become the top receiving country for remittances. In 2007, India was in the second spot, behind China, with $37.2 billion in remittances as compared to $38.4 billion for China.

The study said Asia is the highest originating region with 77 million migrants; with 48 million remaining within the region. Over the past decade, remittances to Asia and the Pacific increased by 87 per cent, reaching $244 billion, while migration grew by only 33 per cent in comparison. Asia remains the main remittance-receiving region, with 55 per cent of the global flows and 41 per cent of total migrants. It is projected that an estimated $6.5 trillion in remittances will be sent to low and middle-income countries between 2015 and 2030.

The study added that the amount of money migrants send to their families in developing countries has risen by 51 per cent over the past decade – far greater than the 28 per cent increase in migration from these countries. This dramatic increase in the amount of money migrants send home to their families in developing countries is helping to lift millions out of poverty and in attaining the Sustainable Development Goals (SDG), the study said. “About 40 per cent of remittances – $200 billion – are sent to rural areas where the majority of poor people live,” said Pedro de Vasconcelos, manager of

IFAD’s Financing Facility for Remittances and lead author of the report, adding that the money is spent on food, health care, better educational opportunities and improved housing and sanitation. “Remittances are therefore critical to help developing countries achieve the Sustainable Development Goals (SDG),” de Vasconcelos said. Currently, about 200 million migrant workers support some 800 million family members globally. In 2017, an expected one-in-seven people globally will be involved in either sending or receiving more than $450 billion in remittances, according to the report.

Migration flows and remittances are having large-scale impacts on the global economy and political landscape. Total migrant earnings are estimated at $3 trillion annually, approximately 85 per cent of which remains in the host countries. The money sent home averages less than one per cent of their host’s GDP. Taken together, these individual remittances account for more than three times the combined official development assistance (ODA) from all sources, and more than the total foreign direct investment to almost every low-and middle-income country.

The report makes several recommendations for improving public policies and outlines proposals for partnerships with the private sector to reduce costs and create opportunities for migrants and their families to use their money more productively. “As populations in developed countries continue to age, the demand for migrant labour is expected to keep growing in the coming years,” de Vasconcelos said.

"However, remittances can help the families of migrants build a more secure future, making migration for young people more of a choice than a necessity," he added.

Despite the decade-long trend, IFAD President Gilbert Houngbo noted the impact of remittances must first be viewed one family at a time. "It is not about the money being sent home, it is about the impact on people's lives. The small amounts of $200 or $300 that each migrant sends home to make up about 60 per cent of the family's household income, and this makes an enormous difference in their lives and the communities in which they live," Houngbo said**.**

India signs OECD convention to plug tax treaty loopholes

India has signed the Organisation for Economic Cooperation and Development (OECD) convention on Base Erosion and Profit Shifting (BEPS) that will help update existing tax treaties and close loopholes in thousands of cross-border transactions.

Finance minister Arun Jaitley signed the multilateral instrument at the OECD headquarters in Paris on 7 June.

The OECD multilateral convention aims to crack down on anybody trying to create a structure for tax evasion, including stashing of profits and investment funds abroad primarily with a view to evade taxes.

The convention will help modify India's existing treaties to curb revenue loss through treaty abuse and Base Erosion and Profit Shifting strategies by ensuring that profits are taxed where substantive economic activities generating the profits are carried out.

The signing of the multilateral convention on tax treaty related measures under the OECD-G20 BEPS project would also help resolve double taxation or transfer pricing issues face by several taxpayers.

The signing of the multilateral instrument (MLI) at Paris on 7 June could open the doors for India to entertain bilateral advance pricing agreements (APAs) or mutual agreement procedures (MAP) with several countries for resolving transfer pricing issues.

India can now swiftly implement a series of tax treaty measures to update existing bilateral treaties and reduce chances of tax avoidance by multinational enterprises.

It will also strengthen provisions to resolve treaty disputes, including mandatory binding arbitration, thereby reducing double taxation and increasing tax certainty.

The new convention, developed through negotiations involving more than 100 countries and jurisdictions, has the mandate of G20 finance ministers and central bank governors. Ministers and high-level officials from 76 countries and jurisdictions have signed or formally expressed their intention to sign the multilateral convention.

According to OECD Secretary-General Angel Gurría: ''We are moving towards rapid implementation of the far-reaching reforms agreed under the BEPS project in more than 1,100 tax treaties worldwide, and radically transforming the way that tax treaties are modified.''

Beyond saving signatories from the burden of re-negotiating these treaties bilaterally, the new convention will result in more certainty and predictability for businesses, and a better functioning international tax system ''for the benefit of our citizens'', says Gurria.

The OECD/G20 BEPS project helps governments close the gaps in existing international rules that allow corporate profits to ''disappear'' or be artificially shifted to low- or no-tax environments, where companies have little or no economic activity.

It is estimated that governments lose an estimate $100-240 billion (or about 4-10 per cent of global corporate income tax liabilities) in annual revenues from BEPS.

The multilateral convention signed at Paris has identified 15 actions requiring changes to more than 3,000 bilateral tax treaties, a burdensome and time consuming process. This convention would swiftly modify all covered bilateral tax treaties (including investment agreements) to implement BEPS measures.

While India has made a provisional list of Covered Tax Agreements and a provisional list of reservations while signing the convention, the final lists for both will be submitted at the time of submission of instrument of ratification.

EC fines Google record $2.7 bn for misusing shopping service

The European Commission has fined Google 2.42 billion Euros (roughly 2.7 billion dollars) for abusing its dominance in search engine to gain illegal advantage to its own comparison shopping service.
This is the biggest fine ever levied by the European Union on any company for breach of antitrust regulations and way above the $1 billion that many expected. The EC anti-trust commission found Google abusing its market dominance as a search engine by giving an illegal advantage to another Google product, its comparison shopping service.

The company has been asked to end the comparison service in EU within 90 days or face penalty of up to 5 per cent of the average daily worldwide turnover of Alphabet, Google's parent company.

"Google has come up with many innovative products and services that have made a difference to our lives. That's a good thing. But Google's strategy for its comparison shopping service wasn't just about attracting customers by making its product better than those of its rivals. Instead, Google abused its market dominance as a search engine by promoting its own comparison shopping service in its search results, and demoting those of competitors,'' Commissioner Margrethe Vestager, in charge of competition policy, said. "What Google has done is illegal under EU antitrust rules. It denied other companies the chance to compete on the merits and to innovate.

And most importantly, it denied European consumers a genuine choice of services and the full benefits of innovation," she added. Google, which has a monopoly in the search engine space, finds 90 per cent of its revenue from advertisements that are shown to customers along with search results. Google earns most of its revenue from this. Google started comparison shopping in Europe in 2004 with 'Froogle', which was later re-named to 'Google Product Search' in 2008 before finally being labelled as 'Google Shopping' in 2013. Google is not involved in any selling business like Amazon or Flipkart, which sell products directly. It merely does a comparison for customers looking for better products, helping them to make decisions. It is a product comparison platform where users can compare products and their prices online and find deals from a multitude of online retailers of all types such as Amazon, eBay and so on.

The EC's concern is that Google has been systematically giving prominent placement to its own comparison shopping service - Google Shopping – since 2008, at the cost of other comparison shopping services which rely on traffic from Google, the dominant search engine in the world. Page rank is extremely important when it comes to attracting visitors to a website and the top ten highest ranking search results get 95 per cent of all the clicks. It is here that Google scores with its placements and positioning. According to the EU, Google's comparison shopping service has increased its traffic 45 times in the United Kingdom, 19 times in France, 35 times in Germany, 29 times in Netherlands, 17 times in Spain and 14 times in Italy. On the other hand, rival shopping services have seen significant drops in numbers.

The EC says certain rival websites have shown drops of up to 85 per cent in the United Kingdom, 92 per cent in Germany and 80 per cent in France. Google, however, says the European Commission has overlooked the other side of the online shopping story. According to Google, its shopping ads, connect users with thousands of advertisers, large and small, in ways that are useful for both. Shopping online is not just paying for a product on offer, it would also involve search for a better product or alternatives and it is simply this that Google does. ''We believe the European Commission's online shopping decision underestimates the value of those kinds of fast and easy connections.

While some comparison shopping sites naturally want Google to show them more prominently, our data show that people usually prefer links that take them directly to the products they want, not to websites where they have to repeat their searches. ''We think our current shopping results are useful and are a much-improved version of the text-only ads we showed a decade ago. Showing ads that include pictures, ratings, and prices benefits us, our advertisers, and most of all, our users.

And we show them only when your feedback tells us they are relevant. Thousands of European merchants use these ads to compete with larger companies like Amazon and eBay,'' Google pointed out . ''When you use Google to search for products, we try to give you what you're looking for. Our ability to do that well isn't favoring ourselves, or any particular site or seller--it's the result of hard work and constant innovation, based on user feedback. Given the evidence, we respectfully disagree with the conclusions announced. We will review the Commission's decision in detail as we consider an appeal, and we look forward to continuing to make our case,'' it added.