Europe India Chamber of Commerce

Newsletter

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Government's move to boost economy: Top 10 announcements

Amid concerns of economic slowdown, the government on Friday announced a slew of measures to boost the economy. Here are the top announcements made by finance minister Nirmala Sitharaman

1) FPI surcharge withdrawn: Enhanced surcharge levied on foreign portfolio investors (FPIs) removed, restoring pre-Budget position.

2) Corporate Social Responsibility: CSR violation will be not be treated as criminal offence

3) Banks passing on RBI rate cuts: Lenders have decided to pass on rate cuts by the Reserve Bank of India (RBI) to borrowers; launched repo rate or external benchmark-linked loan products. Repo rate is the rate at which the RBI lends money to the banks.

4) Bharat Stage 4 vehicles: Old BS-4 vehicles purchased up to March 31, 2020 will remain operational + for the entire duration of registration. The Centre will lift the ban on purchase of new vehicles for replacing all old vehicles by government departments, and consider various measures including scrappage policy to boost demand, she said.

Besides, both electric vehicles (EVs) and Internal Combustion Vehicles (ICV) will continue to be registered.

5) Centralised tax notices: All old tax notices will be decided by October 1 or will be uploaded again through the centralised system.

6) Capital infusion in state-owned banks: Centre to infuse + upfront Rs 70,000 crore into public sector banks to enable release of Rs 5 lakh crore liquidity in the market.

The move is expected to generate an additional lending and liquidity in the financial system to the tune of Rs 5 lakh crore.

7) Surcharge on capital gains: Enhanced surcharge on capital gains withdrawn.

8) Goods and Services Tax (GST) refunds: All pending GST refund due to MSMEs shall be paid within 30 days. In future all GST refunds shall be paid within 60 days from the date of application.

9) NBFCs and Aadhaar: NBFCs (non-banking financial companies) to be permitted to use the Aadhaar authenticated bank KYC to avoid repeated processes.

10) Angel tax on startups: The Centre also announced that the 'angel tax' provision will be withdrawn for startups and their investors. Announcing measures to boost the subdued, the finance minister said that Section 56 2(b) of the Income Tax Act will not be applicable on startups registered under the Department for Promotion of Industry and Internal Trade (DPIIT).

(Times of India, 23/8/2019)

Govt okays 100% FDI in contract mfg, eases rules for single brand retail

The Union Cabinet also approved 100% FDI under automatic route in coal mining and associated infrastructure

The government on Wednesday relaxed FDI rule for foreign single brand retailers and also permitted foreign investment in contract manufacturing and coal mining.

Briefing reporters on the decisions taken by the Union Cabinet headed by Prime Minister Narendra Modi, Commerce and Industry Minister Piyush Goyal said 100 per cent foreign direct investment (FDI) under automatic route in coal mining and associated infrastructure has been approved.

To boost domestic manufacturing, 100 per cent FDI in contract manufacturing under automatic route has been allowed, he said, adding that 26 per cent FDI has been allowed in digital media.

On FDI in single brand retailing, the Cabinet has expanded the definition of mandatory 30 per cent domestic sourcing norm.

It also allowed single brand retailers to start online sales, waiving the previous condition of setting up a mandatory brick-and-mortar store, he said.

Key announcements on FDI:

100% FDI under automatic route in coal mining and associated infrastructure will be allowed

Cabinet allows 100% FDI in contract manufacturing under automatic route

Cabinet relaxes FDI rules for single brand retail; expands definition of 30% domestic sourcing

Cabinet allows online retailing under single-brand retail; relaxes rule of mandatory brick-and-mortar store

Union Cabinet approves 26% FDI in digital media

(Business Standard, 28/8/2019)

Govt to soon consider relaxing FDI norms in single brand retail, digital media

The government will soon consider relaxing foreign direct investment (FDI) norms in several sectors, including single-brand retail trading and digital media, to attract overseas players, sources said. Other sectors where FDI rules would be eased are coal and contract manufacturing.

According to sources, the Union Cabinet would soon consider these issues for approval.

The government may allow 100 per cent FDI in contract manufacturing, according to the proposal.

In the existing foreign investment policy, 100 per cent foreign direct investment is permitted in the manufacturing sector under the automatic route.

A manufacturer is also allowed to sell products manufactured in India through wholesale and retail channels, including through e-commerce, without the government's approval.

But the policy does not talk about the contract manufacturing and it is not clearly defined in the policy.

"Big technology firms across the world are going for this, so there is a need for clarification on the matter," they said.

Similarly, the government is looking at coming out with a clarification on applicability of the foreign direct investment policy on the digital media sector.

The present FDI policy is silent on the fast-growing digital media segment.

In the print media sector, 26 per cent FDI is allowed through government approval route. Similarly, 49 per cent FDI is permitted in broadcasting content services through government approval route.

In the single-brand retail sector, the cabinet will consider a proposal of relaxing rules for complying with the mandatory 30 per cent local sourcing norms by foreign single-brand retailers.

As per the proposal, single-brand retail firms would also be permitted to open online stores before setting up brick-and-mortar shops.

Currently, online sale by a single-brand retail player is allowed only after the opening of physical outlets.

Relaxations are expected in a provision where foreign retail traders are presently allowed to adjust procurement of goods from India for their global operations for meeting the mandatory local sourcing requirement.

However, "incremental" sourcing of goods from India is only taken into account presently, and it will be allowed only for five years.

"Amendments and easing are also likely in this provision," a source said.

The move comes in the backdrop of announcements made by the government in the Budget.

Finance Minister Nirmala Sitharaman in her Budget speech in July had stated that the government would examine suggestions of further opening up of FDI in aviation, media (animation, AVGC) and insurance sectors in consultation with all stakeholders to attract more overseas investment.

FDI in India dipped 1 per cent to USD 44.36 billion in 2018-19.

Last year, the government had relaxed FDI rules for several sectors, including single-brand retail, non-banking financial companies and construction.

Foreign investments are considered crucial for India, which needs billions of dollars for overhauling its infrastructure sector such as ports, airports and highways to boost growth.

FDI helps in improving the country's balance of payments situation and strengthen the rupee value against other global currencies, especially the US dollar.

(Press Trust of India, 26/8/2019)

Commerce ministry to soon come out with new foreign trade policy

"We have taken views of all stakeholders. The new policy is likely to be announced by September-end or early-October," an official said.

The commerce ministry will soon come out with a new foreign trade policy, which provides guideline and incentives for increasing exports, for the next five financial years 2020-25, an official said. The ministry is giving final touches to the new policy as the validity for the old one will end on March 31, 2020.

"We have taken views of all stakeholders. The new policy is likely to be announced by September-end or early-October," the official said.

The new policy would focus on simplifying procedures for exporters and importers besides providing incentives to boost outbound shipments.

The ministry's arm directorate general of foreign trade (DGFT) is formulating the policy.

At present, tax benefits are provided under merchandise export from India scheme (MEIS) for goods and services export from India scheme (SEIS).

In the new policy, changes are expected in the incentives given to goods as the current export promotion schemes are challenged by the US in the dispute resolution mechanism of the World Trade Organisation (WTO).

In this backdrop, the government is recasting the incentives to make them compliant with global trade rules, being formulated by Geneva-based WTO, a 164 member Geneva-based multilateral body.

The commerce ministry has also floated a cabinet note for a new export incentives scheme -- Rebate of State and Central Taxes and Levies (RoSCTL) -- that would be compliant with the WTO norms.

The RoSCTL scheme is available for exports of garments and made-ups. It would now be proposed to extend it to all exports in a phased manner.

The new scheme would replace the existing MEIS, which was challenged by the US last year in the WTO. It would ensure refund of all un-rebated central and state levies and taxes imposed on inputs that are consumed in exports of all sectors.

Major un-rebated levies are - state VAT/ central excise duty on fuel used in transportation, captive power, farm sector; mandi tax; duty of electricity; stamp duty on export documents, purchases from unregistered dealers; embedded CGST and compensation cess coal used in the production of electricity.

Exporters are demanding incentives based on research and development, and product-specific clusters under the new policy.

Ludhiana-based Hand Tools Association President S C Ralhan said the new policy should have provisions for refund of indirect taxes like on oil and power, and state levies such as mandi tax.

"Sectors like engineering should be promoted as they create huge number of jobs. There should be relaxation for obtaining licence under Export Promotion Capital Goods for modernisation of industry," Ralhan said.

Assistant Professor and expert on agriculture economics Chirala Shankar Rao has said the policy should look at ways to promote agri exports as it holds huge opportunities.

During April-July 2019-20, the country's exports dipped 0.37 per cent to USD 107.41 billion.

Since 2011-12, India's exports have been hovering at around USD 300 billion. During 2018-19, overseas shipments grew 9 per cent to USD 331 billion.

The government is targeting to increase the exports to USD one trillion in the coming years.

(Economic Times, 22/8/2019)

Government unveils draft e-commerce norms

The consumer affairs ministry has sought views of stakeholders on the draft guidelines on e-commerce by September 16.

To protect consumers' interest, the Centre has proposed guidelines for e-commerce firms that entail a 14-day deadline to effect refund request, mandate e-tailers to display details of sellers supplying goods and services on their websites and moot the procedure to resolve consumer complaints. The consumer affairs ministry has sought views of stakeholders on the draft guidelines on e-commerce by September 16.

Meanwhile, the government is planning to come out with a national e-commerce policy to facilitate achieving holistic growth of the sector.

Among key guidelines, the e-commerce companies will also be required to ensure that personally identifiable information of customers are protected.

"Such data collection and storage and use comply with provisions of the Information Technology (Amendment) Act, 2008," the ministry said.

That apart, e-commerce firms should be a registered legal entity under Indian laws and should submit a self-declaration to the ministry stating that it is conforming with guidelines.

The proposed rules outlined that a promoter or key management personnel should not have been convicted of any criminal offence punishable with five years imprisonment.

The companies should also comply with the provisions of IT Rules, 2011. They are also required to display on their websites details about sellers supplying goods and services.

The industry said it is still studying the broad contours of the guidelines.

"We are evaluating the draft guidelines and look forward to participating in the deliberations to help finalise an operating framework," a Snapdeal spokesperson said in a statement.

The spokesperson said this will enable the sector to offer a high standard of consumer protection at every stage of an e-commerce transaction.

Flipkart and Amazon India spokesperson said the company is still examining the draft guidelines.

Social community LocalCircles founder Sachin Taparia said currently, consumers face difficulty in holding e-commerce firms accountable in case of fake products as platforms do not disclose seller details or their generalNSE -5.00 % terms. These guidelines if enforced will change that.

"The key areas that have been covered in the rules include preventing price influencing, addressing counterfeit, improving integrity of reviews as well as increasing transparency of terms e-commerce have with sellers and disclosure of seller information," he added.

The draft guidelines state that e-commerce companies should not directly or indirectly influence the price of the goods or services and "maintain a level playing field."

The companies should not adopt any unfair methods, falsely represent themselves as consumers, post reviews about goods and services in their name or exaggerate the quality of goods and services.

To ensure transparency in dealing, the companies are required to display terms of contract between them and the seller to enable consumers to make informed decisions.

They should also mention safety and health care information of the goods and service advertised for sale and give information on payment methods. The companies are required to effect all payments towards accepted refund requests of the customers within a period of maximum of 14 days.

On sellers liabilities, the norms proposed sellers to display total as well as break up price for the goods or service including charges like delivery, postage and taxes.

They should also comply with mandatory display requirements as per Legal Metrology (amendment) rules 2017 for pre-packaged commodities.

They should also provide mandatory safety and health care warnings and shelf life that a consumer would get at any physical point of sale. These companies are also proposed to be held responsible for any warranty/guarantee obligation of goods and services sold.

The draft guidelines laid down that every e-Commerce entity will publish on its website the name of the Grievance Officer and his contact details as well as mechanism by which users can notify their complaints about products and services. The Grievance Officer shall redress the complaints within one month from the date of receipt of complaint, it said.

The move comes even as the government has tightened norms for e-commerce firms having foreign investment, earlier this year.

The e-commerce sector in India has been witnessing an explosive growth fuelled by the increase in the number of online users, growing penetration of smartphones and the rising popularity of social media platforms.

According to a February 2019 Morgan Stanley report, India is adding one Internet user every three seconds and the e-commerce sector in India is estimated to reach USD 230 billion by 2028, accounting for 10 per cent of India's retail.

(Economic Times, 6/8/2019)

Sluggish economy pulls India down to 7th position in World Bank ranking

The UK and France have grown faster (in dollar terms) to move ahead of a sluggish Indian economy in 2018. According to the World Bank ranking of gross domestic product (GDP) of 205 countries, in 2018, India is no longer the world's sixth-largest economy. It has dropped to the seventh-largest economy. The earlier data showed that India had overtaken France to become the sixth-largest economy with a GDP of $2.65 trillion. Now, it has dropped to the seventh-largest economy with a GDP of $2.72 trillion.

The World Bank ranking report comes at a time when India has set itself a target of becoming a $3-trillion economy in the current financial year and a $5-trillion economy by 2024.

Some economists attribute the drop in GDP rankings to currency fluctuations and a slowdown in growth.

On the other hand, the US becomes the top fastest-growing economy with a GDP of $20.5 trillion in 2018 while China secured second place with a GDP of $13.6 trillion. Japan has taken third place with a GDP of $4.9 trillion and Germany at fourth place with a GDP of $3.9 trillion.

Meanwhile, the UK and France became the fifth and sixth largest economy with a GDP of $2.8 trillion, respectively.

Meanwhile, rating agency Crisil on Thursday lowered India's gross domestic product (GDP) growth forecast by 20 basis points to 6.9 per cent for 2019-20, citing weak monsoon and slowing global growth. This is marginally higher than the 6.8 per cent GDP growth last fiscal, but lower than the 14-year average of 7 per cent.

An excessive monetary policy focus on inflation targeting since 2016-17, ensured interest rates remained hard, even as the combined fiscal deficit of the centre and the states remained high. With the government committed to lowering its fiscal deficit, there is little wiggle room left for government to increase spending to pump-prime the economy.

Added to this, a firming up of crude prices, falling exports and a worsening of non-performing assets in the banking system have combined to retard economic growth in India.

(Domain-B, 5/8/2019)

Trade war uncertainty could cost global economy $585 billion

A recent survey found a growing conviction among businesses that tariffs were hitting their bottom line. President Donald Trump's tariffs on Chinese imports are getting a lot of blame for slowing the global economy, but it's his Twitter habit that could be even more harmful.

According to a report by Bloomberg Economics' Dan Hanson, Jamie Rush and Tom Orlik, uncertainty over trade could lower world gross domestic product by 0.6% in 2021, relative to a scenario with no trade war. That's double the direct impact of the tariffs themselves & the equivalent of $585 billion off the International Monetary Fund's estimated world GDP of $97 trillion in 2021.

China would be hit harder by the uncertainty factor, with its GDP lower by 1% compared with a 0.6% chunk taken out of America's economic output, the analysis showed.

"The tweet is mightier than the tariff," the Bloomberg economists wrote in their report.

The U.S. president's social media posts on trade, many of which are about China, sometimes appear several times a day and other times not at all. His contradictory takes on the progress of negotiations with Beijing send a chill through businesses that are making decisions about investing and hiring.

A survey released last week by the Federal Reserve Bank of New York found a growing conviction among businesses that tariffs were hitting their bottom line.

The Fed responded to economic headwinds with a rate cut of 0.25% last month. The Bloomberg Economics report said that while monetary policy can be used to mitigate uncertainty shocks, it cannot prevent the damage entirely. If central banks respond to demand weakness, world GDP will be 0.3% lower in 2021 than it would be in a no-trade-war scenario.

BUSINESS INFO

India Maritime*plus*

(Investment Facilitation Cell)

Dear Sir/Madam,

We have pleasure in bringing to your notice information regarding tenders invited by **Chennai Port Trust** for allotment of open/ covered spaces for various purposes.

For further details, please visit the website mentioned in the notices below:

1	**Chennai Port Trust** invites Tenders for Allotment of Open Space (unpaved) /(paved) and Covered Space (Shed/Warehouse) inside Custom Bond Area in "As is Where is Condition" on Annual Licence Basis for a period of 3 years without Renewal Option for the Purpose other than Cargo Storage (a) Parking & Maintenance of Cranes, Forklifts, Trailers, Equipment, Hoppers, etc., (b) Storage of Tools and Tackles etc., from Eligible Tenderers under Two Cover System Other details including Tender documents can be downloaded from the website https://www.chennaiport.gov.in . Last date for bid submission is 12.09.2019 up to 02.00 pm.
2	**Chennai Port Trust** invites Tenders for Allotment of Open Space (unpaved) and Covered Space (with RCC Roof) inside Custom Bond Area in "As is Where is Condition" on Annual Licence Basis for a Period of 5 years without Renewal Option for the Purpose of Ship Repair work, from Eligible Tenderers under Two Cover System. Other details including Tender documents can be downloaded from the website https://www.chennaiport.gov.in.

	Last date for bid submission is 12.09.2019 up to 02.00 pm.
3	**Chennai Port Trust** invites Tenders for Allotment of Open Space (unpaved) /(paved) Inside Custom Bond Area in "As is Where is Condition" on Monthly Licence Basis for a Period of 1 year without Renewal Option for the Purpose of Cargo Storage, from Eligible Tenderers under Two Cover System. Other details including Tender documents can be downloaded from the website https://www.chennaiport.gov.in. Last date for bid submission is 12.09.2019 up to 02.00 pm.
4	**Chennai Port Trust** invites Tenders for Allotment of Open Space (unpaved)/ (paved) and Covered Space (with ACC/ RCC Roof) inside Custom Bond Area in "As is Where is Condition" on Annual Licence Basis for a Period of 3 years without Renewal Option for the Purpose of Dock Offices, from Eligible Tenderers under Two Cover System. Other details including Tender documents can be downloaded from the website https://www.chennaiport.gov.in. Last date for bid submission is 12.09.2019 up to 02.00 pm.
