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India joins the OECD-G20's 'Inclusive Framework' tax deal

Technical details of the proposal will be worked out in the coming months and a consensus agreement is expected by October.

India and majority members of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting on July 1 adopted a high-level statement outlining a consensus solution to address tax challenges arising from the digitalisation of the economy.

As per a statement from the Centre, the proposed solution consists of two components – Pillar One which is about reallocation of additional share of profit to the market jurisdictions and Pillar Two consisting of minimum tax and subject to tax rules.

Some significant issues including share of profit allocation and scope of subject to tax rules, remain open and need to be addressed.

Technical details of the proposal will be worked out in the coming months and a consensus agreement is expected by October.

"The principles underlying the solution vindicates India's stand for a greater share of profits for the markets, consideration of demand side factors in profit allocation, need to seriously address the issue of cross border profit shifting and need for subject to tax rule to stop treaty shopping," the statement added.

It further noted that India is in favour of a consensus solution which is "simple to implement and simple to comply."

"At the same time, the solution should result in allocation of meaningful and sustainable revenue to market jurisdictions, particularly for developing and emerging economies. India will continue to be constructively engaged for reaching a consensus based ready to implement solution with Pillar one and Pillar two as a package by October and contribute positively for the advancement of the international tax agenda," it said.

Impact on India

"The Pillar I of the OECD's/G20's two-pillar solutions to address tax challenge of digitalization of economy, seeks to usher in a special purpose nexus rule and profit allocation formula for reallocating a part of super normal profits of the largest (sales more than 20 billion Euros) and most profitable (more than 10 per cent global profitability) multinational groups, amongst market countries like India and China," Sumit Singhania, Partner at Deloitte India, told Moneycontrol.

With regards to India, this outcome will have quantitative benefits since it will ensure India gets its fair share of corporate tax on earnings from massive market it provides to MNEs, Singhania said.

"The broader agreement reached on Pillar II solutions is the most significant step towards ending the' race to the bottom' that countries have indulged in for decades. A global Min tax rule will ensure level playing field for countries like India that offers massive market for MNEs without providing a tax safe harbor," he added.

Singhania stressed that the latest developments would have potential to significantly contain the practice of treaty shopping, whereby companies or individuals attempt to indirectly access the benefits of a tax treaty between two jurisdictions without being a resident of one of those jurisdictions.

With regards to foreign direct investment flows into India from traditionally popular jurisdictions such as Singapore and Mauritius being affected as a result of this, Singhania said it was unlikely to have much bearing since investments from these jurisdictions are predicated on a number of non-tax leverages such as access to mature capital market /investors' preference etc. That said, the impact of Min tax will now need to adequately factored in each such investment, he added.

(Moneycontrol, 3/7/2021)

After India, WhatsApp faces privacy fire in EU

Three days after WhatsApp had submitted before the Delhi high court that it would not enforce its contentious privacy policy in India till the country's Personal Data Protection Bill was passed, the US-based company on Monday faced a barrage of complaints from the European Consumer Organisation (BEUC) and others over the policy update, which has prompted a global outcry and led some users to switch to rival apps Telegram and Signal.

In January, WhatsApp had introduced a privacy policy which allows it to share some data with its parent, Facebook, and other group companies. Though it clarified the changes would not affect personal conversations of its users, BEUC and eight of its members criticised the policy changes and filed complaints with the European Commission and the European network of consumer authorities, claiming WhatsApp was unfairly pressuring users to accept the new policies. "The content of these notifications, their nature, timing and recurrence put an undue pressure on users and impair their freedom of choice. As such, they are a breach of the EU Directive on Unfair Commercial Practices," the groups said in a joint statement. "WhatsApp has failed to explain in plain and intelligible language the nature of the changes... This ambiguity amounts to a breach of EU consumer law which obliges companies to use clear & transparent contract terms and commercial communications," they said.

Facebook said BEUC has got the issue wrong. "BEUC's action is based on a misunderstanding of the purpose and effect of the update to our terms of service," a spokesperson said. "The update does not expand our ability to share data with Facebook, and does not impact the privacy of your messages with friends or family, wherever they are in the world. We would welcome an opportunity to explain the update to BEUC to clarify what it means for people." The consumer groups urged the European network of consumer authorities & EU data protection authorities to work together to address the privacy and consumer rights concerns.

(Times of India, 13/7/2021)

After G7 pledge, EU seeks to rival China's Belt and Road Initiative with own infrastructure plan
European Union foreign ministers agreed on Monday to launch a global infrastructure plan linking Europe to the world, its latest step after deals with India and Japan and a similar pledge by the Group of Seven richest democracies.

Suspicious of Chinese President Xi Jinping's Belt and Road Initiative to link Europe to Asia via infrastructure in a bid for greater influence, the EU set out a formal path for an ambitious "connectivity" plan from 2022.

"We see China using economic and financial means to increase its political influence everywhere in the world. It's useless moaning about this, we must offer alternatives," German Foreign Minister Heiko Maas told reporters at a meeting with his EU counterparts in Brussels.

"It is important that the European Union … co-ordinates them very closely with the United States," he said.

The EU has already signed partnerships with Japan and India to co-ordinate transport, energy and digital projects linking Europe and Asia. Both Tokyo and Delhi are worried about Chinese largesse that officials say makes poorer countries beholdened to Beijing because they are forced to take on such large debts.

Through development banks, first-loss guarantees to private companies and by offering Western government know-how, the G7, whose leaders met in England in June, also want to provide more transparency in infrastructure partnerships.

Montenegro, a member of the NATO military alliance and an aspirant to join the EU, is the highest-profile casualty of Chinese debt, Western officials say.

Montenegro borrowed nearly $1-billion from China in 2014 to fund a 41-km (25-mile) stretch of road, an amount that has threatened to bankrupt the country. It is now negotiating with Western banks to swap or refinance the debt, Reuters reported this month.

The EU strategy, called "A Globally Connected Europe," makes no mention of China and Luxembourg's veteran Foreign Minister Jean Asselborn cautioned on Monday about making China an adversary, noting that German car makers sold more vehicles in China every year than in Germany.

But one EU diplomat involved in drafting the strategy said the eight-page document had "China written all over it."

Since 2013, China has launched construction projects across more than 60 countries, seeking a network of land and sea links with Southeast Asia, Central Asia, the Middle East, Europe and Africa. Beijing denies any intention to project power and has said the infrastructure corridor focuses on the needs of ordinary people.

(Business Standard, 13/7/2021)

EU unveils plan to increase renewables share in energy mix to 40% by 2030

Synopsis

As part of a package of climate policies, the Commission proposed an overhaul of EU renewable energy rules, which decide how quickly the bloc must increase the use of sources such as wind, solar and biomass energy produced from burning wood pellets or chips.

The European Union must increase the amount of renewable energy it uses and cut energy consumption by 2030 under proposals the bloc's executive Commission published on Wednesday to help meet a more ambitious goal for reducing greenhouse gas emissions.

As part of a package of climate policies, the Commission proposed an overhaul of EU renewable energy rules, which decide how quickly the bloc must increase the use of sources such as wind, solar and biomass energy produced from burning wood pellets or chips.

The aim is to implement legally-binding targets to reduce net EU emissions by 55% by 2030, from 1990 levels, and eliminate them by 2050.

To help meet the 2050 goal, the Commission has set a more ambitious interim target for the EU to raise the share of renewable energy to 40% of final consumption by 2030, up from roughly 20% in 2019.

That replaces a previous target for a 32% renewables target by 2030, which Commission estimates suggest the bloc was on track to meet.

The Commission proposed also tightening rules that determine whether wood-burning energy can be classed as renewable and count towards green goals.

It requires biomass-fuelled power and heat plants with a capacity of 5 megawatts (MW) or above to meet sustainability criteria, and provide substantial emissions cuts compared with burning fossil fuels.

Biomass plants with a capacity below 20 MW are currently exempt from those requirements.

ENERGY EFFICIENCY

The package of policies, called "Fit for 55", also includes fuel tax changes and reforms to the EU carbon market. All must be negotiated by EU countries and the European Parliament, a process that can take roughly two years.

It also targets energy savings, setting a goal for EU countries to collectively cut energy consumption by 9% by 2030, compared with their projected energy use by that date under current plans.

To hit that goal, countries will be required to put in place measures to cut their final energy consumption by 1.5% each year from 2024 to 2030, nearly doubling an existing requirement of 0.8%.

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That could be done by insulating buildings or installing more energy-efficient heating and cooling systems.

Europe renovates just 1% of buildings to save energy each year. Brussels hopes countries will use the EU's 800 billion euro COVID-19 economic recovery fund to launch a wave of green renovations, boosting construction sector jobs.

The Commission said all revenues from carbon permit auctions under the EU's Emisssions Trading System and national CO2 auctions will have to be channelled to green investments, including investments in energy efficiency measures and renewables.

The Commission also proposed countries renovate 3% of buildings owned or occupied by public bodies each year to transform them into "nearly zero-energy buildings".

That would include hospitals, government buildings, schools and social housing, and amount to more than 700,000 buildings being renovated per year, based on industry estimates.

Currently, countries are required to renovate 3% of central government buildings to weaker standards. Central government buildings make up less than 1% of the roughly 260 million buildings in the EU, while public buildings make up roughly 10%.

(Economic Times, 15/7/2021)

Staycations and insulation? What the EU's climate policies may mean for consumers

Synopsis

The proposals, published on Wednesday, tackle most big sources of planet-warming emissions, including power plants, cars, planes, factories and home heating. The basic principle is that polluting options should cost more and green options should be cheaper.

The European Union isn't asking its citizens directly to change their behaviour as part of its plan to tackle climate change but the slew of policies do encourage a greener approach.

The proposals, published on Wednesday, tackle most big sources of planet-warming emissions, including power plants, cars, planes, factories and home heating. The basic principle is that polluting options should cost more and green options should be cheaper.

An EU-wide tax for polluting aviation fuels, for instance, could make flight tickets more expensive. But whether or not that triggers a surge in staycations over plane-hopping European city breaks depends on whether airlines pass the cost on.

CO2 pricing for buildings means home heating bills will likely rise, which could hurt low-income households as they typically spend a bigger share of their income on heating.

Financial assistance will be available to install insulation or swap gas boilers for a heat pumps, which convert the heat in the outdoors air into heat inside the home.

Some anti-poverty pressure groups are urging governments to tackle fuel poverty with cash grants or other forms of relief.

The European Commission wants to introduce a fund to ease the impact on vulnerable households of higher home heating and car fuel bills.

Overall, EU citizens are not being asked to significantly change their habits, at least not yet. There are no proposals, for instance, to encourage people to eat less meat, which is emissions-intensive.

(Economic Times 15/7/2021)

European Union launches big climate plan for "our children and grandchildren"

Synopsis

The European Commission, the EU executive body, set out in painstaking detail how the bloc's 27 countries can meet their collective goal to reduce net greenhouse gas emissions by 55% from 1990 levels by 2030 - a step towards "net zero" emissions by 2050.

European Union policymakers on Wednesday unveiled their most ambitious plan yet to tackle climate change, aiming to turn green goals into concrete action this decade and set an example for the world's other big economies to follow.

The European Commission, the EU executive body, set out in painstaking detail how the bloc's 27 countries can meet their collective goal to reduce net greenhouse gas emissions by 55% from 1990 levels by 2030 - a step towards "net zero" emissions by 2050.

This will mean raising the cost of emitting carbon for heating, transport and manufacturing, taxing high-carbon aviation fuel and shipping fuel that have not been taxed before, and charging importers at the border for the carbon emitted in making products such as cement, steel and aluminium abroad. It will consign the internal combustion engine to history.

"Yes, it is hard," EU climate policy chief Frans Timmermans told a news conference. "But it's also an obligation, because if we renounce our obligation to help humanity, live within planetary boundaries, we would fail, not just ourselves, but we would fail our children and our grandchildren."

The price of failure, he said, was that they would be "fighting wars over water and food".

The "Fit for 55" measures will require approval by member states and the European parliament, a process that could take two years.

They will also face intense lobbying from some industries, from poorer member states that want to ward off price rises, and from more polluting countries facing a costly transition.

A diplomat from one EU country said the success of the package would rest on its ability to be realistic and socially fair, while not destabilising the economy.

"The aim is to put the economy on a new level, not to stop it," the diplomat said.

EYES ON GLASGOW: The EU produces only 8% of global emissions, but hopes its example will elicit ambitious action from other major economies when they meet in November in Glasgow for the next milestone U.N. climate conference.

"Europe was the first continent to declare to be climate neutral in 2050, and now we are the very first ones to put a concrete roadmap on the table," said European Commission President Ursula von der Leyen.

The package arrives days after California suffered one of the highest temperatures recorded on earth, the latest of a series of brutal heatwaves that have hit Russia, Northern Europe and Canada.

As climate change makes itself felt from the typhoon-swept tropics to the blowtorched bushlands of Australia, Brussels proposed a dozen policies to target most big sources of the fossil fuel emissions that trigger it, including power plants, factories, cars, planes and heating systems in buildings.

The EU has so far cut emissions by 24% from 1990 levels, but many of the most obvious steps, such as reducing reliance on coal to generate power, have been taken already.

The next decade will require bigger adjustments, with a long-term eye on 2050, by which date scientists say the world must have reached net zero carbon emissions to prevent climate change becoming catastrophic.

The measures follow a core principle: to make polluting more expensive and green options more attractive to the EU's 25 million businesses and nearly half a billion people.

PLANES, SHIPS AND AUTOMOBILES: Under the proposals, tighter emission limits for cars will soon make it harder to to sell petrol and diesel car sales in the EU - and impossible by 2035.

An overhaul of the EU Emissions Trading System, the biggest carbon market in the world, will force factories, power plants and airlines to pay more when they emit CO2. Ships will also be added to the ETS, requiring shipowners to pay for their pollution for the first time.

A new EU carbon market will impose CO2 costs on the transport and construction sectors and on heating buildings. Some of the revenues will be put in a fund to cushion the inevitable rise in low-income households' fuel bills.

The Commission also wants to impose the world's first carbon border tariff, to ensure that manufacturers do not have a competitive advantage over firms in the EU that are required to pay for the CO2 they have produced in making carbon-intensive goods such as cement or fertiliser into the EU.

Meanwhile, a tax overhaul will impose an EU-wide tax on polluting aviation fuels, which currently dodge such levies.

EU member states will also be required to build up forests and grasslands - the reservoirs that keep carbon dioxide out of the atmosphere.

For some EU countries, the package is a chance to confirm the EU's global leadership in fighting climate change, and to be at the forefront of those developing the technologies needed.

But the plans have exposed familiar rifts. Poorer member states are wary of policies that will raise costs for the consumer, while regions that depend on coal-fired power plants and mines want guarantees of more support for a transformation that will cause dislocation and require mass retraining.

(Economic Times, 15/7/2021)

Make in India and the PLI schemes will make India a manufacturing powerhouse: ET-ILC Members

Synopsis

In its effort to make India a manufacturing hub, the government is developing industrial corridors and smart cities to provide infrastructure based on state-of-the-art technology with modern high-speed communication and integrated logistic arrangements.

Pursuant to the Aatmanirbhar Bharat Abhiyan, Make in India and the Production-Linked Incentive (PLI) became fundamental stepping-stones to shaping India as an efficient, equitable and resilient manufacturing hub. Make in India aims to promote investment, encourage innovation, enhance skill development, protect intellectual property and create best-in-class manufacturing infrastructure in the country. The PLI scheme, as its name reflects, is meant to provide companies incentives on incremental sales from products manufactured in domestic units. “The Make in India campaign by the Government has given manufacturing an impetus and the investments made in infrastructure, healthcare, electronics, amongst others, are already bearing fruit. This will help India being seen as one of the global manufacturing hubs producing world-class products,” says S Sunil Kumar, President, Henkel, India.

The pandemic intensified the supply chain uncertainties, which made many organizations rethink their sourcing strategies. What is fast gaining preference is the concept of localizing for two-fold reasons - to be closer to the point of use and to minimize the risk of disruption. Ramesh Babu, Managing Director, Velan Valves India states that, “Though the general perception is that FY21 was a bad year, most of the manufacturing organizations started doing well from Q2 through Q4. For most of us, it was a 9-month year. With overheads coming down, a majority of organizations fared well on the bottom-line. This is especially true for manufacturing Industries.” The factor aiding this shift is that India has rapidly embraced digitization and emerging technologies, which contribute to leaner operations. Rajen Vagadia, VP and President, Qualcomm India & SAARC states, “Historically, the cadence of technology innovation has had a deep impact on industrial growth. 5G has applications across enterprises for industrial connectivity, private networks, industrial IoT and automotive, to name a few. 5G IoT solutions are vital for the manufacturing sector, as they will be the enabler of Industry 4.0.”

The aim is to create a robust manufacturing sector by not only inviting foreign companies to set up operations in India but also enhance India’s exports and manufacturing capabilities for high-quality, competitive products. In the Union Budget 2021-22, an outlay of Rs 1.97 lakh crore for the PLI Schemes for 13 key sectors was announced, to create national manufacturing champions and generate employment opportunities for the country’s youth. This means that minimum production in India as a result of these Schemes is expected to be over US$ 500 billion in 5 years. Both these initiatives also aim to improve India’s rank on the Ease of Doing Business index by eliminating unnecessary laws and regulations, making bureaucratic processes easier, and making the government more transparent, responsive and accountable. According to Ashok Ramachandran, Chief Executive Officer and President, Schindler India, “There is also a ubiquitous evolution of nationalist feelings, consumer preference for locally produced products coupled with clear mandate from infrastructure development authorities to source from within India. Organizations with forward looking strategies, ones who are agile, have been able to leverage this opportunity by accelerating localization of the production base.”

India already has a massive domestic market, the largest pool of workers across diverse skill categories, and its industrial ecosystem is maturing which makes it a viable option for investment and growth. Both Make in India and PLI have the potential to be transformation multipliers. However, for these to truly have impact, they need to focus beyond the generic assembling of components, and enable the generation of employment and a value-driven penetration of export markets. “India has a natural advantage around its farming base and emerging industries around food processing may be very relevant here. Similar other examples like IT services could provide growth opportunities around electronics and semiconductor industry. On the cost competitive front, there is a lot of learning from the more matured services sector and their use of technology, AI and machine,” states Amit Lahoti, VP and GM, Ball Beverage Packaging - India and SE Asia.

In its effort to make India a manufacturing hub, the government is developing industrial corridors and smart cities to provide infrastructure based on state-of-the-art technology with modern high-speed communication and integrated logistic arrangements. Innovation and research activities are being supported through fast paced registration systems, and accordingly, the Intellectual Property Rights registration set-up has been upgraded. A number of new initiatives have been launched in order to streamline and rationalise licensing rules at the state government level, aligning them with global best practices. The requirement of skills for industries is being identified and accordingly, the development of the workforce is being taken up. Gaurav Malhotra, Managing Director, Hansgrohe India is of the opinion that “To make Make in India and the PLI initiatives come alive, what needs to improve is to develop talent and skills at the rural as well as urban front. We need to set up institutions and emphasis on academics that look at developing skills development. Skills need to be given dignity at all levels.”

Make in India and PLI make for the single largest manufacturing initiative undertaken by a nation in recent history. It is important for Indian sectors to leverage this opportunity with vitality and optimism, and a global quality mindset to usher in a new economic era. It is also a call-out to global enterprises to sit up and take notice of India as an attractive destination. Prime Minister of India, Narendra Modi has said, “I want to tell the people of the whole world: Come, make in India. Come and manufacture in India. Go and sell in any country of the world, but manufacture here. We have skill, talent, discipline and the desire to do something. We want to give the world an opportunity that come make in India.” The initiatives provide a much-needed push to India’s manufacturing sector and when cumulative efforts combine, will also make India a superior domestic manufacturer and a favourable investment centre. This will create positive traction for the overall economic growth of the nation for a long time to come.

(Economic Times, 21/7/2021)

A new UK visa route could attract more high-skilled Indians

Synopsis

Under the new visa programme announced last week, applicants meeting certain criteria can enter the UK on a work permit without having a valid job offer.

The new ‘high potential individual’ visa route to be introduced by the UK could attract more highly skilled Indians to the country, said experts.

Under the new visa programme announced last week, applicants meeting certain criteria can enter the UK on a work permit without having a valid job offer.

“This visa is part of the UK government’s policy to attract workers from around the world who are highly skilled in transformational technologies. The UK is developing a new immigration system which focuses largely on attracting highly skilled workers, particularly in the fields of technology, engineering and science," said Yash Dubal, director of A Y & J Solicitors, a UK-based immigration law firm.

So far, the US has been the preferred destination for Indian tech workers, given the high demand from both US technology companies and Indian services firms. In the past year, however, the UK has adopted a more immigration friendly stance. As per the latest immigration statistics, Indian nationals accounted for 41% of all skilled work visas granted in the year ended March 2021.

The UK recently launched the graduate route visa, which will allow overseas students to work in the country for at least two years after they graduate. In the past year, more than 56,000 Indian nationals have been granted a student visa, a 13% increase year-on-year and almost a quarter of all student visas issued by the UK.

“The UK and India already share a thriving tech relationship that adds to both our countries’ mutual prosperity – shown by the fact that more than 40% of all skilled work visas the UK issues go to Indian nationals. We will continue to work with our partners in India to ensure that as many people as possible have the opportunity to bring their talent and skills to the UK,” said a British High Commission spokesperson.

The move is a step towards cementing the country’s position at the forefront of the global innovation race, said the spokesperson.

“The UK government will introduce a new High Potential Individual route to make it as simple as possible for internationally mobile individuals who demonstrate high potential to come to the UK. Eligibility will be open to applicants who have graduated from a top global university. The UK government will explore the scope to expand eligibility to other characteristics of high potential,” said the UK Innovation Strategy document.

Individuals will have the flexibility to switch jobs or employers and will also allow eligible individuals to extend their visa and settle in the UK, subject to meeting specific requirements.

“This program is a great move by the UK to attract high level of talent, but we must wait for the details to see how it will work. In any event, it is a good option for highly skilled people – scientists, professionals with high achievements, etc. ,” said Poorvi Chothani, managing partner at LawQuest, an immigration law firm. “It could be similar to the EB-1 A green card category in the US where you could self-petition if you are a person of extraordinary ability."

(Economic Times, 28 July 2021)
