

Economy This Week from 19th to 25th Oct 2018

➤ PM-AASHA (BS 22/10/18)

- Under the scheme, the states will have the option to adopt these procurement mechanisms
 - Price Support Scheme (PSS) - the procurement done at MSP
 - Price Deficiency Payment Scheme (PDPS) - it has been modelled on the Bhavantar Yojana of Madhya Pradesh
 - Private Procurement & Stockist Scheme (PPSS) – procurement of oilseeds can be done by private players at MSP when the market prices fall below MSP. The state government to compensate through a service charge (up to 15% of the MSP for the crop) by the state government
- Under the PSS, the farmer can sell up to 25 quintals of produce per day. This is expected to
 - Ensure that more farmers can sell the produce rather than few big farmers
 - Provide relief to the farmers as the market prices have fallen to below the announced MSP for kharif crops
- The centre's expenditure and support would be limited to 25% of the total oilseeds, pulses or coarse cereal production of the state. If the states procure more than this, then the additional expenditure has to be incurred by the state itself. However, if a commodity is procured for PDS (Public Distribution System), then the support can extend up to 40% of the season's production
- Under Bhavantar Yojana, the differential amount paid should not be more than 25% of the MSP announced by the government
- The farmers to be given with the remuneration within a fixed period of time
 - Under PSS, the remuneration to be given within three days of the receipt of the food grains
 - Under PDP, the differential payment to be given within 30 days from the sale of their produce

➤ Bullet Train Project (TH 21/10/18)

- The project has estimated to cost about ₹ 1.08 tn. The first tranche of ₹ 5500 Crore is expected to be released by Japan International Cooperation Agency during the upcoming meet
- There have been issues with private land acquisition in Maharashtra
- The deadline of December 2019 has been set up for land survey and acquisition for the project
- For the implementation of the project, the government has set up an SPV - NHSRCL (National High Speed Rail Corporation Limited)
- 312 villages in Maharashtra and Gujarat will have to give up land for the project in addition to 7974 plots belonging to the forest department and railways will be acquired
- Bullet train
 - Will connect Mumbai and Ahmedabad and cover a distance of 316 miles
 - Will have a capacity of 750 passengers
 - Will travel at an average speed of 320 km/hr
 - Highest speed of 350 km/hr
 - Reduce the travel time from 8 hrs to round 2 hrs
 - Target completion date is 2023 (but the govt wants to finish it by August 2022)

- Japan government has offered a soft loan of around ₹ 90000 Cr with a tenure of 50 years and an interest rate of 0.1% interest
- **IFC rolls out \$1 bn masala bonds (BS 20/10/18)**
 - IFC has launched its \$1 bn masala bonds in US and Europe. The first tranche of \$100 mn has been issued in the LSE
 - This has been done in order to expand investments in India
 - Masala bonds are rupee denominated bonds which are issued overseas
 - Recently the government has exempted the withholding tax on these instruments
- **RBI opposed to the proposal of Independent Payments regulator (TH 23/10/18)**
 - RBI has given a dissent note over the recommendation of inter-ministerial committee report to finalization of the amendments to the Payment and Settlements Act 2007
 - RBI wants the Payments Regulatory Board to function under the purview of the RBI Governor
 - The activities of the Payment banks come within the purview of traditional banking system and RBI is the regulator of the banking system. Moreover, the regulation of banking system and payment system by the same regulator will lead to synergies
 - Reduce the costs related to compliance
 - Ensure seamless implementation of rules
 - The new regulator may lack the expertise needed for this sector and compared to RBI to carry out the necessary duties/obligations
- **Direct tax base widens (TH 24/10/18)**
 - The average incomes reported by individual and corporate taxpayers have witnessed a significant rise in the last three years.
 - The rate of growth in taxes was higher than that of GDP, hence the tax buoyancy factor has risen to 1.81
 - Though the news of widening of the tax base is good, majority of the increase in the tax collections have come from Indirect taxes and percentage contribution of the direct taxes has declined from 2009-10. Having said so, there has been a rise in collection of direct taxes in this year (FY18 - 52% of total tax collections) which will provide the leg space for the government to reduce the impact of the regressive indirect taxes on the common man
 - Collection of more direct taxes also represents reduced distortion of incomes
 - There is a need to have a new direct tax code
- **Insolvency law - UN model (basic points 23/10/18)**
 - **UNCITRAL (United Nation omission on International Trade Law)**
 - It was established by UN General Assembly in 1966 to promote progressive harmonization and unification of international trade law
 - India is a founder member of this group
 - The membership has crossed to more than 60
 - **UNCITRAL Model Law**
 - The MCA has already released the draft
 - It will help in Indian creditors (such as banks) in assessing overseas assets of a foreign company which has taken loan/credit in India and vice versa
 - The IBC has provisions (section 234 and 235) for the cross border insolvency, but these are not sufficient
 - Right now if an Indian company, which hold some foreign assets is under IBC, the government either has to enter into an agreement with

the foreign country or issue a letter of request. Whereas in the UNCITRAL Model Law, the GoI may bring the overseas asset under the IBC

- The model law deals with four major principles of cross-border insolvency
 - Direct access to foreign insolvency professionals and foreign creditors to participate in or commence domestic insolvency proceedings against a defaulting debtor
 - Recognition of foreign proceedings & provision of remedies
 - Cooperation between domestic and foreign courts & domestic and foreign insolvency practitioners
 - Coordination between two or more concurrent insolvency proceedings in different countries