

ETW 28th Jan to 3rd Feb 2019

- **China starts legal process against US at WTO (IE 29/1/19)**
 - China has started a legal process against US at WTO against the imposition of trade tariffs worth \$234 bn and has also criticised it against the blocking of appointment of judges to be appointed for the dispute resolution mechanism
 - US initially imposed 25% additional tariffs on \$34 bn worth of imports from China (from July 6, 2018) and then imposed additional tariffs of 10% on imports of \$200 bn from September 24, 2018
 - In response china has imposed retaliatory tariffs on imports coming from US

- **Issues with Bhavantar Yojana (BS 29/1/19)**
 - The congress government in Madhya Pradesh has put on hold the Flat Bhavantar Bhugtan Yojana until its review is done
 - This is a scheme to provide deficiency price payment wherein the farmer is paid compensation in case the market prices fall below the MSP, but the payment was capped to the modal price (average price fixed based on the prices in the surrounding mandis)
 - Some of the issues with the scheme are
 - The farmers were supposed to register by submitting multiple paperwork
 - Only around 45% of the land was covered/registered under the scheme in Kharif 2017 season. Means majority of the farmers had to sell their produce at prices lesser than the MSP announced by the government and did not receive any kind of deficiency payment
 - The market/realised prices dropped to a very low level. There were allegations that the producers/farmers had connived with the buyers and shorted the prices. The state government has lost around ₹ 200 Cr in such cases. Having said so, various experts have countered the point by saying the supply of Urad and soya increased as a result of the harvesting season which led to dip in the prices of both
 - Due to such issues and the central government hesitating to share the financial burden, the state government later excluded some of the crops from the scheme
 - The government in the Kharif season 2018 introduced Flat Bhavantar Yojana - wherein a flat bonus payment of ₹ 500 per quintal of soya bean and maize was fixed

- **PCA norms and tweaking the RoA (BL 30/1/19)**
 - The Finance Ministry has asked RBI to reduce/tweak the RoA (Return Over Assets) norm so that certain banks can be moved out of the PCA
 - If done, then the 4 PSBs - Bank of Maharashtra, Oriental Bank of Commerce, Corporation Bank and Bank of India - would be taken out of the PCA
 - As of now of the 20 PSBs, 11 are under PCA
 - The banks are placed under PCA, when they fail to meet the limits set under three parameters - CAR or CRAR, NPA and RoA

- **RBI lifts curbs on three PSBs (TH 1/2/19)**
 - Three PSBs - Bank of India, Bank of Maharashtra and Oriental Bank of Commerce - have been allowed to exit the PCA by RBI
 - This has been done following the capital infusion done by the government and decline in their NPA ratio

- **Corporate Social Responsibility -CSR prosecution rules to be amended (BS 30/1/19)**
 - The Ministry of Corporate Affairs is planning of dropping provisions related to prosecuting the companies that do not comply with the CSR guidelines unless they are repeat offenders
 - Under the companies act, the points related to CSR are
 - Provided under Schedule VII of the Companies Act 2013
 - Companies with net worth of at least ₹ 500 Cr, revenues of at least ₹ 1000 Cr or a net profit of at least ₹ 5 Cr in a financial year will have to abide by the CSR guidelines
 - It required the companies to spend at least 2% of their net profits on the CSR
 - There are about 11 subjects such as Health, Eradicating Poverty, Gender Equality, Heritage Art and Culture, PM National Relief Fund etc listed under Schedule VII
 - In case the companies do not abide by the regulations then
 - Fine of ₹ 50000 to ₹ 25 lakh can be imposed
 - Every officer of the company could be punished with imprisonment up to 3 years or/and could be fined ₹ 50000 to ₹ 500000
 - So far the government has sanctioned proceedings against 284 companies and sent 5382 notices to companies that have failed to meet the norms

- **GST revenues decline (TH 31/1/19)**
 - Several agencies have reported that the GST tax collections for the month of Jan will be between ₹ 94000 to ₹ 96000 Cr. This is lesser than

the target of ₹ 1 lakh Cr per month that was set in the beginning of this fiscal

- If the revenues for Jan are lesser than ₹ 94726 Cr then it would make a consecutive third month registering a decline in the GST revenues
- Of the nine months, only in two months the GST collections have gone over ₹ 1 lakh Cr but have remained lesser than the avg target of ₹ 1.1 lakh Cr that was announced
- The GST council recently has rationalised the GST and hence there is fear of the revenues further declining
 - The council in its 31st meeting in December 2018, cut the rates for 20 categories of goods and number of services. Thereafter only one common use good - cement - has been left in the highest tax slab of 28%
 - Once such change is done the tax revenues naturally will decline, this can be offset by expanding the tax base. The recent analysis has shown that the number of non-filers has actually increased with introduction of GST. In fact, the rate of growth in the non-filers has been higher when compared to the filers
 - Another reason for this decline in the GST revenues has been the issue of fake receipts being generated to get higher ITC (Input Tax Credit). This can be taken care of by introducing the "receipt matching" system which is supposed to be introduced in April 2019
- This trend is worrisome because
 - Raises the questions over the stability of GST
 - Lower revenues will put the pressure on the finances of the government
 - The tax receipts from other sources are increasing and they are dwindling in case of GST
- The government will have lower leeway in changing the personal income tax rates

➤ **IBC and SC (TH 29/1/19)**

- With introduction of IBC, a new era of resolving the cases of stressed assets was introduced. The borrowers in the last two years have challenged many aspects of the IBC in appellate/courts
- One of the challenges against the law was by the operational creditors. Under the section 53 of IBC, the payment priority waterfall is provided as per which the secured/financial creditors, workmen and employees are given a preference over the operational creditors
- The court also has noted that a person merely having a relationship with the ineligible person will not automatically disqualify him from

bidding for the stressed asset/company. It has to be proven that he is connected

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