ETW 17th to 23rd June 2019

- **35th GST Council Meet (BS 22/6/19)**
  - **Lottery**
    - Legal view regarding the GST on lottery has been referred to Attorney General
    - Art 304, allows the state to impose the same tax rate on imported goods and on goods manufactured/produced in the state. The argument is that if the consumers of lotteries (issued by state and private) are the same, then how can there be two GST rates
    - State organised lottery attract a rate of 12% and state authorised lottery 28%
  - e-invoices was given an in-principle approval. These can be generated on the portal and will act as e-way bill (invoices will subsume the generation of e-way bill)
  - e-ticketing for multi-screen cinema halls has been made mandatory, which will ensure that the state and centre will earn the right revenues. The e-ticket will be deemed as tax invoice
  - New timelines of simplified returns has been approved. The new forms will replace the current ones fully by January 2020

- **U K Sinha panel recommendations on Credit to MSME sector (BL 19/6/19)**
  - MSMEs account for 45% of the manufacturing output and 40% of exports. This sector faces many risks of which non-availability of credit at reasonable prices has been the most severe.
  - Has recommended doubling the collateral free loans to MSME sector. A major cause for this has been the high risk perception associated with lending to this sector
  - It should be applicable to MUDRA and SHGs also
  - As per various sources, the committee has recommended hiking the ceiling of collateral free loans for MSME units to ₹ 20 lakhs (from the present value of ₹ 10 lakh)
  - Presently the MSMEs can avail collateral free loans under
    - RBI Circular of 2010 - collateral free loans of up to ₹ 10 lakh
    - Credit Guarantee Fund - collateral free loans of up to ₹ 2 Cr
  - As per RBI data, the growth rate in the advances to MSMEs from FY18 to FY19 has been just over 5%
  - As of now MUDRA offers three types of loans - Shishu (up to ₹ 50000), Kishor (above ₹ 50000 and up to ₹ 5 lakh) and Tarun (above ₹ 5 lakh and up to ₹ 10 lakh). If the recommendation is accepted, then these limits will be doubled

- **Banks pay the price for resolution in delays of insolvency cases (BL 18/6/19)**
  - The inordinate delay in the resolution of cases under IBC is becoming a burden on the banks as
    - The calculation of interest stops once the case has been admitted by the NCLT
    - Precious capital gets stuck up in the asset till the resolution is made
  - RBI had identified 12 companies for undergoing insolvency resolution process of which the resolution of only 3 companies have been resolved. The loss of interest on 9 of these largest borrowers (who have defaulted) comes to ₹ 40000 Cr. Banks have lost interest of ₹ 19400 Cr on Essar Steel and Bhushan steel cases alone (in these two cases, the resolution plan of bidders has been approved by the lenders and the case is still stuck in

courts)

- The major issue has been that IBC favours financial creditors over the operational creditors. The operational creditors recover very less compared to financial creditors. Hence many a times these creditors will approach the court over these cases

- **<u>India cannot afford trade tiff with US (BL 20/6/19)</u>**
  - The bilateral trade between the US and China is over \$730 bn (with China enjoying a trade surplus of over \$340 bn) and; between the US and India was \$87 bn for 2018 (with India enjoying a trade surplus of \$24 bn)
  - US has been demanding greater market access for their exports such as dairy items, agri commodities, medical devices etc and India has been dragging its feet around these items. US imposed tariffs on steel and aluminium exports from India, withdrew GSP status given to India. In retaliation after a year of announcement, India went ahead and imposed import duties on 29 goods of US origin
  - India cannot afford a tariff war with US
    - The exports from India to US have been steadily increasing in the last two decades, and any friction would not help in furthering the economic interests of India
    - The exports from India have not been performing well in the last one year. The growth has been very sluggish. If the trade war extends then it will further dampen the exports
    - For US, India is the 9th largest trade partner whereas for India, US is the biggest trading partner (2nd largest is China, but with China, India has a trade deficit of over \$50 bn)
    - Majority of the merchandise exported from India are labour intensive (gems and jewellery, textiles, clothing)
      - Though for India, textiles and clothing exports are important, we are losing market share to other competing countries. So any reduction in these exports will worsen the position of India and also affect the employment situation in the sector
    - Another very important area is of services. American market is very crucial for the IT services exports from India
  - Way forward - US has many grievances against the policies of the Indian government and it is equally true that the predatory pricing and deep discounting methodologies of the multinational retailers is a concern for India. Hence the only way forward which makes sense is to negotiate with US, keeping in mind the long term interests of the Indian economy
    - We have not done much in building the Indian companies which can compete with the global companies, hence there is a need to look into this

- **<u>Govt to redraft the code on social security (BS 18/6/19)</u>**
  - The NDA govt will draft the code on social security and welfare for the third time; it has moved the code on wages, code on occupational safety health and working conditions for inter-ministerial consultations
  - The fourth code i.e. on Industrial relations has not been cleared by the inter-ministerial panel as some of the provisions (relaxation of retrenchment rules, tightening of flash

strikes law) were opposed by central trade unions and industry bodies also raised some concerns.