

Economy This Week

9th Dec to 22nd Dec 2019

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1. NAA slaps Nestle with ₹ 90 Cr fine

- GST National Anti-Profiteering Authority (NAA) has slapped a fine of ₹ 90 Cr on the fast moving consumer goods giant Nestle for not passing on the tax rate cuts to the consumers.
 - NAA has noted that the process adopted by the above company was either illogical, illegal or arbitrary.
 - NAA has been set up in order to ensure that the GST rate cuts would be transferred to the consumers in a commensurate manner.
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2. WTO dispute settlement - interim arrangement in works

- Efforts are on to resolve the global trade disputes through arbitration with the earlier system becoming defunct under WTO.
 - With the US opposing appointment of judges to six vacancies, the Appellate Body (AB) under WTO has become dysfunctional.
 - EU with several members, is trying to work out a model for interim appeal arbitration arrangement under Article 25 of the Dispute Settlement Understanding (DSU). This proposal seeks to employ the earlier appellate members to function as arbitrators and ensure there is independence and impartiality in the process.
 - Apart from this, Australia and Brazil are pursuing another plurilateral initiative under which the director-general will play a major role (this is expected to make the US open to the initiative).
 - Any of these arrangements is just a stop-gap arrangement and the main objective will be to bring the countries on consensus so that the AB becomes functional again.
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3. Power tariffs

- UDAY (Ujwal Discom Assurance Yojana) was implemented by the govt. to address the financial stress in the discoms and the scheme has not worked to satisfaction as the discoms' financial health continues to remain fragile.
- One of the provisions of the scheme was to rationalise the tariffs.

- The Delhi Govt. has announced a tariff subsidy for residential houses (up to 200 units/month). This goes against the economic rationale. Rather it would have been a good idea if the subsidy was rationalised and targeted.
 - Moreover, such an announcement makes no sense as Delhi has one of the highest per capita income.
 - It also has fiscal surplus.
 - As per UDAY dashboard:
 - The difference between ACS (Average Cost of Supply) and ARR (Average Revenue Realised) has come down to 40 paise per unit.
 - The AT&C (Aggregate Technical and Commercial) losses have reduced to 22%.
 - However, going by these numbers, the government would be missing the targets of reducing the gap between ACS and ARR to “zero” and reducing the AT&C losses to 15% by 2020.
 - The gap in tariffs is very high for some states - Rajasthan (above ₹ 1.25 per unit), Bihar (about ₹ 0.93 per unit), AP (about ₹ 0.67 per unit). The overall gap translates to a loss of ₹ 62482 Cr annually.
 - The discoms have had a total subsidy burden of ₹ 1.2 tn in 2018, such high levels of subsidy coupled with high gap in ACS and ARR would make any power sector powerless and have an impact on the generation and transmission infrastructure.
 - Way forward
 - Liberated tariff hikes.
 - Guidelines for cross-subsidy reduction (reduce the cross-subsidy on the industries and increase the tariff for domestic consumer households).
 - Subsidies, if at all given must go directly to those who need it. For this, the government may look into the implementation of DBT (Direct Benefit Transfer).
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4. Story of MSME job portal - MSME Sampark

- The government launched a portal - **MSME Sampark** - for job seekers in small businesses.
 - This was launched in June 2018.
 - It was billed to be a speedy way for the skilled youth to get placements in the MSME sector.
 - As of December 2019, there were 923 open vacancies and a whopping number of applicants which was over 460000. So far, a total of 2528 youth have been placed through this portal (less than 150 per month).
 - The Ministry of MSME has started an investigation into why placements through this portal have not picked up.
 - The issues have been:
 - The government has found it difficult to get the major industrial firms on this portal.
 - MNCs have been unsatisfied with the skill levels of the candidates.
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5. GST council takes the first decision by voting

- GST Council for the first time has voted (earlier all the decisions were taken on open consensus) to decide on a uniform tax rate of 28% for the lotteries (both state and private lotteries).
- This rate will come into effect from 1st March 2020.
- Currently, there are dual GST rates for lotteries:
 - 12% on state-run lotteries.
 - 28% on state authorised or private lotteries.

- Voting on this issue was done twice, once for deciding whether the dual rate should be continued and the second time, to decide whether the rate should be 18 or 28%.
 - Apart from this, the Council also decided to block the ITC (Input Tax Credit) in case of doubtful or fake invoices.
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