Economy This Week (14th Sep to 20th Sep 2020)

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1. TCS and Liberalised Remittance Scheme (LRS) (LM 14/9/20)

- The government in the budget had announced a Tax Collected at Source (TCS) of 5% on all the remittances above ₹ 7 lakh under LRS of RBI.
- This will become effective from 1st October 2020.
- Foreign tour packages; investing in stocks, bonds and property; studying abroad are some of the activities that would be affected by this.
- Under LRS, Indians are allowed to remit $250000 every year for various purposes such as medical treatment, gifts, maintenance, investments, education.
- Just like the TDS, TCS also can be claimed as a refund if the income does not cross the threshold, or using the deductions while filing the Income Tax Returns (ITR).
- The authorised dealer (for example - bank) will collect the tax and then deposit it to the government. If the PAN is not given, then the TCS will be 10%.

2. What ails sugar farmers (BS 14/9/20)

- The cost of producing a kg of sugar comes at around ₹ 35 to₹ 36 (including depreciation and interest on the loans), whereas the realisation rate has been around ₹ 32.25 per kg. This earns a shortfall of around ₹3 per kg. More than 85% of the revenues for sugar mills is from sugar, hence there is a revenue shortfall.
- The central government has mandated that the mills will not be allowed to sell sugar below a cost of ₹ 31, the mill owners want it to be increased to ₹ 33 a kg (NITI Aayog has called for this increase) (It is the rate below which the mills cannot sell sugar in the open market to wholesalers and bulk consumers like biscuit and beverage makers).
- The farmers are paid in a period of five months but the mill owners sell the sugar in a period of 15 to 18 months. This has led to cash mismatches.
- The government provides subsidies and incentives to the sector and the disbursal of these has got delayed.

3. Banking regulation bill (LM 15/9/20)

- The government has introduced a banking amendment bill in Lok Sabha - Banking Regulation (Amendment) Bill 2020.
- It aims to bring cooperative banks under the ambit of RBI regulation and empower RBI to undertake bank amalgamation.

- Once approved by Parliament, RBI's regulation will get extended to cooperative banks.
- Changes will not affect the existing powers of state registrars of cooperative societies and will not apply to primary farm credit societies or cooperative societies whose main business is long term loans for agriculture development.
- It also allows the cooperative banks to raise money through public issues and private placement of equity or preference shares as well as unsecured debentures, with the approval of RBI.
- It also enhanced the powers of RBI to improve the amalgamation of the banks without putting them under moratorium which will affect the withdrawals of the depositors.
- The FM had tabled amendments to the Banking Regulations Act in the budget session, due to disruption in the parliamentary process caused by the pandemic, it could not be approved. Hence, on June 26th, an ordinance was promulgated.

4. PSBs to float a company for Doorstep Banking (DSB) (BL 19/9/20)

- Public Sector Banks (PSBs) are working towards setting up a new company under which their recent PSB Alliance to provide DSB services would be housed.
- 12 PSBs (under the aegis of the Indian Banks' Association) have come together to initially offer 10 non-financial services at customers' doorsteps.
    - Cheque, draft, pay order, new cheque book requisition slip, 15G/H Form, IT/GST challan, standing instruction request.
    - In addition to this, the feet on street (agents) provide services such as account statement, non-personalised cheque book, term deposit receipt, TDS/Form 16 certificate issuance and prepaid instrument/gift cards, etc.
    - The services are chargeable with the current rate of ₹ 75 plus GST per financial/non-financial service.
- This comes amidst the competition with the private sector and the latter have been steadily eating away the market share of the former.

5. WTO's red flagging of US duties against Chinese goods an encouraging sign for India (BL 17/9/20)

- WTO has ruled against the USA for imposing duties against Chinese imports. It has stated that the US broke international rules when it imposed unilateral tariffs on Chinese goods in 2018.
- The report has mentioned that the US has not met its burden of demonstrating that the measures are provisionally justified.
- The ruling has been based on the findings of the US 301 Report (Section 301 of Trade Act 1974).
- This is an encouraging sign for India as the USA has threatened the same types of taxes against Indian exports in retaliation for its digital taxes and IP rules. In June, the USTR had announced that the US would be starting Section 301 investigations against India and 9 others for imposing or considering digital tax.
- The US wants India to change its IP laws (especially those dealing with evergreening of patents).

6. Country of origin - onus on importers (TH 19/9/20)

- Importers will have to do their due diligence in order to ensure that imported goods meet the prescribed 'rules of origin' provisions for availing concessional rates of customs duty under Free Trade Agreements (FTAs).

- The Customs (Administration of Rules of Origin under Trade Agreements) - CAROTAR 2020 - notified on 21st August will come into force from 21st September.
- The importer will have to enter origin related information in the Bill of Entry.
- Association of Southeast Asian Nations (ASEAN) FTA allows imports of most items at nil or concessional rates. This would be applicable only if these imports are originating in these member countries. In situations where these goods would be routed through these countries by a third country, then the concessional rate is not applicable.
- India has inked FTAs with Japan, South Korea, ASEAN, etc.

7. Centre amends public procurement norms to allow more local content (BL 19/9/20)

- The rules have been amended to allow nodal ministries and departments to raise the minimum local content requirement for two categories of local suppliers (Class I and Class II suppliers). Earlier it was fixed at 50% and 20%.
- In addition to this, new rules disallow the participation in the procurement process by entities from countries that bar Indian companies from being part of their government procurement process in any item.