

## Economy This Week (21st Dec to 27th Dec 2020)

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### 1. Ease of doing business (FE 21/12/20)

- The Government is focused on six areas where India's performance and ranking have been lagging in the ease of doing business index published by the [World Bank](#).
- The focus now is on areas such as the enforcement of contracts, registering property, starting a business, etc.
- These parameters have prevented India from breaking into the top 50 ranks.
- India's ranking has leapfrogged from 142nd in 2015 to 63rd as per the report released last year.
- Enforcement of contracts
  - India's rank is 163rd
  - Government, with the help of the judiciary, wants to set up more commercial courts and this would be fast-tracking the important cases through daily hearings
  - Delhi has approved a proposal to set up 22 commercial courts and Mumbai has plans for 16
  - As per the officials, it takes about 1445 days and 31% of the claim value to enforce the contract. The aim is to reduce this to 1200 days as of now
- Registering property
  - Under this India was ranked at 154th position
  - As of now, it takes 58 days and 7.8% of the property value to register a property. Government wants to reduce this to 38 days and 7.3% respectively
  - Government is in the process of implementing land titling laws and ensure that all the land records are digitised
- Paying taxes
  - India was ranked at 115th
  - The government aims to reduce the average number of hours from 252 a year to 152 hrs

- It also aims to reduce the time taken for compliances under the Employee State Insurance Corporation (ESIC), Employee Provident Fund Organisation (EPFO)
- Starting business
  - India is ranked at 136th position
  - Government is aiming to reduce the number of compliances from 10 to less than 4
  - Reduce the number of days to start a business from 18 to 6 days
- Trading across the border
  - Ranked 68th
  - Reduce the average time taken for imports from 70 hrs to 48 hrs
  - In the case of exports, the aim is to reduce it from 54 hrs to 48 hrs
  - Manual clearances by officers will be replaced by automated approval
- However, for these reforms to be implemented successfully, there is a need for collaborative efforts between centre and states (especially states having the cities of Bangalore, Delhi, Mumbai, Kolkata - as these are the cities considered for ranking)
- India's ranking ranges from 13th to 27th in parameters such as protecting minority investors, getting electricity, getting credit and construction permits.

## **2. Vivad se Vishwas scheme (VSVS) - dismal response (BL 21/12/20)**

- The scheme was announced in the budget on 1st February 2020.
- Under this scheme, the penalty, interest and prosecution are waived off if the disputed tax amount is paid before 31st December 2020 (this has been extended till 31st March 2021).
- As per the government data, there are around 4 lakh such cases involving ₹ 9.3 tn, but as of November 17, the government has been able to collect ₹ 72480 Cr under this scheme.
- The government has come down heavily on officials and has been asking them to speed up the collections under the scheme. The issue is that the government has been losing 90% of the appeals in these cases at the high court and Supreme Court. This is because of the unreasonably high assessment done by the tax officials.
- The scheme has been a damp squib because of the fact that the tax assesseees are aware of this track record of the government at judicial levels.

## **3. How poor land records add to farm frustration (LM 22/12/20)**

- Land is a state subject. There is a need to ensure land records are updated at the national level and there is a consensus among all the state governments.

- For over 30 years now the government has been introducing land reforms to fix the quality of land records, but even today the rural land markets remain mostly illiquid, trapping the farmers in the agriculture sector.
- In many parts of India, key relevant facts relating to land disputes, ownership claims, extent of boundary, pending legal claims, etc. are not easily verifiable.
- The process of digitisation of land records has moved at a snail's pace and has remained unfinished in many states.
- This matters because on an average 77% of the assets of Indian households are locked up in land and real estate (it is about 40% in case of USA) and for many Indians, land would be the only tangible high-value asset.
- With limited prospects of monetising land, many farm families remain trapped in agriculture.
- The approach in China was completely different. At first between 1978 and 2003 it created alternative opportunities through rural enterprises whose output grew at an annual rate of 23%. This allowed the farmers to jump to other economic spheres using their existing assets such as land.
- The government had launched computerisation of land records in 1988. Then in 2008, the government launched the National Land Record Modernization Programme (NLRMP) which has been brought under [Digital India](#) as Digital India Land Record Modernization Programme.
- It is important to get the land records digitised and updated as more and more of the subsidies in the agriculture sector are getting linked to ownership of the land.
- The government recently launched [Svmitva Scheme](#) which would be distributing property ID cards to people living in abadi village land or habited areas. In essence, it is creating land records where none have existed. But the issue even with this is that the scheme is being implemented by Panchayati Raj Department and ownership transactions are maintained by the state government. There is a need to ensure that both the databases are aligned.

#### 4. The Electricity (Rights of Consumers) Rules 2020 (IE 22/12/20)

- The government notifies the rules, these are to empower the citizens. This has been done as the government states that the discoms are monopolies (whether public or private) and the consumer has no alternative.
- These rules would make the discoms more accountable.
- Distribution licensees shall supply 24\*7 power to all consumers (there are certain consumers like that of agriculture, for which a different number of supply hours could be specified by the commission).
- Rules cover
  - Obligations of the distribution licensees
  - Metering arrangements

- Release of new connections and modifications of the existing connections
- Grievance redressal and compensation mechanism
- In order to increase compliance, the government will be imposing penalties and it will be credited to the consumer's account.

#### **5. Incentivise balanced use of fertilisers (BL 23/12/20)**

- The price of urea is decided by the government and it has not been revised for many years now. The market price of urea is lower than other fertilisers. As it is cheaper, farmers tend to use more of urea and less of others, this leads to an imbalance in the soil.
- Hence, simultaneously the price of urea must be increased and that of others must be reduced so that some balance in the usage can be achieved.
- The taxes on diesel should be reduced as it adds to food inflation.

#### **6. Cairn energy wins arbitration award (TH 24/12/20)**

- International arbitration has ordered the government to return up to \$1.4 bn to Cairn Energy PLC of the UK. It has overturned the tax demand made retrospectively.
- The government has indicated that it may challenge the decision.
- The three-member tribunal has stated that the government's claim of ₹ 10247 Cr in past taxes over the internal reorganisation of Cairn in 2006-07 was not a valid demand.
- It has also stated that the government of India has failed to accord the investments of Cairn Energy fair and equitable treatment under the bilateral investment treaty that India has with the UK.
- The government has been asked to compensate Cairn for total harm suffered together with interest and cost of arbitration.
- If the award is not honoured by the government, then Cairn can use the arbitration award to approach courts to seize any property owned by India overseas to recover the money.
- This is a second such loss that the government has suffered in three months over the retrospective levy of taxes.
- Though the government has demanded retrospective tax against many companies, Cairn was the only one against which it took action. During the pendency of the arbitration, the government sold Cairn's near 5% holding in Vedanta Ltd, seized all dividends totalling ₹ 1140 Cr due to it from those shares and set off a tax refund demand of ₹ 1590 Cr.

## 7. India files appeal against Vodafone case verdict (TH 25/12/20)

- India has challenged the verdict, of the international arbitration tribunal in the case of Vodafone, which overturned the demand of the government for a tax of ₹ 22100 Cr.
- This was in regards to the company acquiring an Indian operator in 2007.
- This also sets the stage for the government to appeal against the Permanent Court of Arbitration (Hague) that has ruled in favour of Cairn Energy.
- The government in both cases had used a 2012 law that allows it to reopen past cases, seek the taxes from such taxpayers over alleged capital gains made several years ago.
- In these instances, both Vodafone and Cairn Energy had challenged the tax demands under bilateral investment protection treaties and had initiated an arbitration.
- The government, on the other hand, is of the stand that taxation is not a part of such treaties and laws regarding taxation is a sovereign right of the country.

## 8. Recharging DTH (TH 26/12/20)

- DTH operators have been arguing that with the new guidelines of [TRAI](#), they have been reduced to being mere carriers of channels without any real pricing power and that the high fees imposed by the government were a burden for them.
- India has over 200 mn cable and satellite households and there is a need for regulating these service providers and protecting the interests of the consumer.
- The government recently has approved a revised scheme for the Direct To Home (DTH) television distribution sector beginning with 100% FDI.
- As per the new norms:
  - The license period will be for a period of 20 years (as of now it is 10).
  - The fees have been reduced to 8% (after setting off service tax) of the Adjusted Gross Revenues (AGR) against the present level of 10%.
- The reduction in license fee was recommended by TRAI six years ago.
- DTH operators have been facing a challenge from Over The Top (OTT) channels. The latter is taking away the urban viewers who are very important for advertisers.