

Economy This Week (3rd Apr to 9th Apr 2021)

TABLE OF CONTENTS

1. [RBI keeps policy rates unchanged \(TH 8/4/21\)](#)
2. [Incentives for white goods and solar energy \(TH 8/4/21\)](#)
3. [IBC amendment to ease resolution of MSME \(BS 6/4/21\)](#)
4. [India pitches for better BRICS coordination on IMF Quota \(ET 7/4/21\)](#)
5. [NITI considers separate PLI scheme for MSMEs \(BS 7/4/21\)](#)
6. [US questions India's RoDTEP Scheme at WTO \(ET 6/4/21\)](#)
7. [Cairn dispute cannot be settled via Vivad Se Vishwas scheme \(BL 7/4/21\)](#)
8. [Vivad Se Vishwas Scheme - VSVS \(IE 7/4/21\)](#)

1. RBI keeps policy rates unchanged (TH 8/4/21)

- The [Monetary Policy Committee \(MPC\)](#) has decided to -
 - Hold the interest rates i.e. repo rate at 4%.
 - Continue with an accommodative stance as long as necessary to sustain growth on a durable basis.
 - Economic prospects for FY22 have strengthened with the progress of vaccination, but recent surges in infections have led to added uncertainty over the outlook.
 - The inflation projection for Q1 and Q2 FY22 was kept at 5.2%; for Q3 FY22 at 4.4% and 5.1% for Q4.
 - The central bank has announced G-SAP 1.0 (G-Security Acquisition Programme) whereby the central banker would be purchasing ₹ 1 lakh Cr of these bonds from the secondary market in the first quarter. This is expected to provide a stable and orderly evolution of yields on G-sec.

2. Incentives for white goods and solar energy (TH 8/4/21)

- The Union Govt has approved two [PLI schemes](#) for white goods (air conditioners and LED lights).
 - The govt has taken yet another step towards Atmanirbhar Bharat by promoting PLI worth ₹ 6238 Cr.
 - The scheme would be extending incentives of 4% to 6% on incremental sales of goods made in India for five years.

- The scheme is expected to increase the investment by ₹ 7920 Cr, production worth ₹ 1.68 lakh Cr and create 4 lakh jobs over the course of the next five years.
- Cabinet has also approved the PLI scheme for high-efficiency solar PV modules with an outlay of ₹ 4500 Cr - National Programme on High Efficiency Solar PV Modules.
 - Solar capacity addition currently depends mainly upon imported solar PV cells and modules as domestic manufacturing has a limited operational capacity.
 - This scheme will reduce import dependence.
 - Scheme expects to lead to an additional capacity of 10000 MW and additional investments of ₹ 17200 Cr.
 - Lead to direct job generation for 30000 people and 1.2 lakh indirect jobs.

3. IBC amendment to ease resolution of MSME (BS 6/4/21)

- Govt has amended the [IBC](#) to allow a pre-packaged insolvency resolution of the MSMEs and allowed the corporate debtors to propose a resolution plan for stressed companies.
- The threshold default level will be announced as part of the regulation. To begin with, the minimum threshold has been fixed at ₹ 10 lakh.
- The pre-packaged scheme has provided a semi-formal structure for the pre-insolvency stage.
- It has been done to ensure that the process is quicker, cost-effective and value maximising for all the stakeholders.
- A pre-packaged scheme is one where the promoter of the stressed company proposes a resolution plan to the creditors before the company goes for insolvency proceedings.
- This will also provide a legal sanction to the plan which has been accepted by the creditors.

4. India pitches for better BRICS coordination on IMF Quota (ET 7/4/21)

- India has pitched for greater coordination among the [BRICS](#) economies on the review of International Monetary Fund (IMF) quotas.
- This has been put forward to ensure that developing countries will have more say.
- As per the IMF Resolution, 16th General Review Quotas should be concluded by 15th December 2023.
- Any adjustment in the quota shares will give more voting powers to the emerging markets (as quotas are decided based on the relative position of a country in the global market).

5. NITI considers separate PLI scheme for MSMEs (BS 7/4/21)

- NITI Aayog is working on a separate Production Linked Incentive (PLI) Scheme for MSMEs.
- The think tank is thinking of breaking the scheme into two parts:
 - One for covering big corporates
 - Another covering smaller companies
- Earlier the [NITI Aayog](#) had recommended extending the scheme for medium-sized enterprises so that the country will be moving towards self-reliance, along with promoting domestic production.
- PLI Scheme:
 - Covers 13 sectors.
 - Provides incentives to firms on incremental sales for five years over the base year of 2019-20.
 - The scheme has been targeted at larger companies and smaller companies have not been benefited from this.
 - It is felt that this should be extended to cover smaller companies but should be a demand-based application wherein they benefit.

6. US questions India's RoDTEP Scheme at WTO (ET 6/4/21)

- The US has questioned India's Remission of Duties and Taxes on Exported Products (RoDTEP) scheme at [WTO](#) and has sought details about its operational status as well as coverage of farm products (eg., rice) under it.
- The US administration on 27th March proposed to impose retaliatory tariffs up to 25% on nearly 40 Indian products in response to equalisation levy or digital services tax imposed in India on non-resident e-commerce operators.
- India has notified RoDTEP from 1st Jan to replace the MEIS scheme.
- The US has also raised questions over India's tariffs on cotton and support for sugar and biofuels.
 - The US has argued that Indian support prices for cotton has increased to 40% and govt purchase of cotton had reached record levels.

7. Cairn dispute cannot be settled via Vivad Se Vishwas scheme (BL 7/4/21)

- The dispute cannot be settled under the scheme as the scheme is closed now (31st March 2020).
- Under the scheme, if the case is already decided in favour of the assessee and the department appeals against this then the disputed value will be reduced to 50%.
- In December last year, an arbitration tribunal had awarded Cairn Energy ₹ 1.2 bn (excluding interest and other expenses) against India.

8. Vivad Se Vishwas Scheme - VSVS (IE 7/4/21)

- VSVS has led to a resolution in one-third of all the direct tax disputes and the govt has been able to collect a tax revenue of ₹ 54005 Cr.
 - The govt had originally targeted ₹ 2 lakh Cr by the end of March 2020.
 - The covid led pandemic has upset the calculations of the govt.
 - In terms of reduction in legacy disputes, the scheme has been successful in reducing the disputes.
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