

Economy This Week (1st Jul to 9th Jul 2021)

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1. 130 countries back global minimum corporate tax of 15% (IE 2/7/21)

- Most of the countries involved in negotiating the new rules to tax companies have backed the plans which aim to impose a global tax rate of 15%.
- This figure was arrived at the talks hosted by [OECD](#). As per the discussions held, this rate would lead to an additional tax revenue collection of \$150 bn annually.
- 130 countries amounting to 90% of the global GDP have backed this proposal.

2. India sees consensus by oct on OECD-G20 global tax deal (TH 3/7/21)

- India, after joining the OECD-G20 framework for a [global minimum tax](#), has stated that the consensus agreement is expected by October. This would be after addressing significant issues such as share of profit allocation and scope of subject to tax rules.
- A total of 130 countries have agreed to overhaul the global tax norms which will ensure that MNCs pay taxes wherever they operate at a minimum rate of 15%.
- The majority of OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting members (including India) have adopted a statement, which contains an outline for consensus solution for tax challenges that have arisen because of the digitalisation of the economy.
 - Pillar one - reallocation of the additional share of profit to the market jurisdictions.
 - Pillar two - regarding minimum tax and subject to tax rules.

3. Govt charts course for usage of new age fuel (LM 1/7/21)

- The government is considering implementing the Green Hydrogen Consumption Obligation (GHCO), similar to Renewable Purchase Obligations (RPOs - require discoms to buy a fixed amount of renewable energy to cut dependence on fossil fuels).
 - Under this, the govt will make it compulsory for fertiliser plants and oil refineries to use green hydrogen in order to reduce the dependence on imports of fossil fuels.
- These plants may be asked to use green hydrogen to meet 0.15% of their total hydrogen requirements starting from 2023-24 and ramp it up to 10% of their requirement in the next six years.
- The total hydrogen demand is expected to touch 11.7 mn metric tonnes (MMT) by 2029-30 from the current level of 6.7 MMT.
 - 54% (or 3.6 MMT) of the yearly hydrogen gas consumption (6.7 MMT) is utilised in petroleum refining and the rest in fertiliser production.
 - This is however grey hydrogen produced from fossil fuels such as natural gas or naphtha.
 - Green hydrogen is produced by splitting water into hydrogen and oxygen using an electrolyser (may be powered by electricity generated from renewable sources). The hydrogen can be used for both fuel cells and internal combustion engines. It is also being leveraged in other sectors such as chemicals, iron, steel, transport, heating and power.
- The draft note regarding this has been circulated by the Ministry of New and Renewable Energy (MNRE) to the departments of fertiliser, economic affairs, heavy industries, etc.
- Govt is looking at leveraging large landmass availability, low solar and wind tariffs to produce low-cost green hydrogen.
- The current cost of green hydrogen produced by electrolysis is estimated at ₹ 350 per kg. The aim is to more than halve it to ₹ 160 per kg by 2029-30.
- The govt is also aiming to extend the PLI incentives for manufacturing electrolysers to produce green hydrogen.

4. Finmin gets bigger with DPE in its fold (FE 8/7/21)

- The Department of Public Enterprises (DPE) has been added under the Ministry of Finance. This will become the sixth department in the Ministry of Finance.
 - Department of Expenditure
 - Department of Revenue
 - Department of Economic Affairs
 - DIPAM
 - Department of Financial Services

- A separate Ministry of Cooperation has been carved out of the Ministry of Agriculture and Farmers' Welfare.
- This is to impart more efficiency and speedy decision making.
- There is a sense that the CPSEs' performance is being affected by the fact that they have to report to multiple departments/ministries on operational issues. Currently, the DPE issues general guidelines but their implementation rests with 45 different administrative ministries.
- If there is a need to collect information on all the 250 odd PSUs, then all these administrative departments will have to be reached out, which will delay the decision-making process.
- The Ministry of Cooperation will perform similar functions of the regulator and the Agriculture Ministry will continue to deal with procurement and credit in which a large number of cooperatives are involved. The new ministry will oversee the central registrar of cooperative societies.
- The new ministry will ensure that cooperatives will get the importance they deserve. Earlier in the cooperative division under the Agriculture Ministry, there were just 10 staff working.

5. Cairn dispute - India keeps legal, talks options open (ET 9/7/21)

- Cairn Energy has got approval from a French court to seize about 20 properties that belong to the Indian govt valued at more than 20 mn euros.
- This is a necessary step that will ensure that the sale proceeds of these assets should go to Cairn.
- The company claims that the award is \$1.2 bn and now with interest and penalty the total goes up to \$1.7 bn.

6. Cairn tax dispute (ET 9/7/21)

- The govt must settle the dispute and move on from this.
- The company has offered to invest the amount received under this in India itself.
- Prolonging the dispute may lead to lower valuation of the CPSEs that have assets outside India and in the case of Air India, may delay the process of sales.
- The threat of govt assets being attached will also carry reputational risk.
- Govt has filed an application in March this year to set aside the order of December 2020.

Also read: [Cairn Tax Dispute](#)

7. States leading in micro-irrigation reap benefits from new scheme (BL 9/7/21)

- The central govt had introduced the [Pradhan Mantri Krishi Sinchayee Yojana](#) which has multiple components.
- Out of these the states of Karnataka, Tamil Nadu have reaped maximum benefits under the Per Drop More Crop component (PMKSY-PDMC).
 - It is being implemented by the Department of Agriculture, Cooperation and Farmers' Welfare from 2015-16.
 - The scheme focuses on enhancing water usage efficiency through micro-irrigation systems - drip and sprinkler irrigation.
 - It is important considering the fact that 27 states and UTs have lower than 30% micro-irrigation systems.
 - Out of the total irrigated land in India, only 19% is under micro-irrigation.
- Usage of micro-irrigation:
 - Relevant in achieving national priorities such as substantially improving on-farm water use efficiency, enhancing crop productivity, ensuring better returns to farmers and employment opportunities.
- The scheme has been effective in terms of increasing productivity, reduction in labour cost, water consumption, power utilisation and fertiliser use.
- Under this, a total of 53.73 lakh hectares has been covered.
 - Karnataka - 10.92 lakh hectares (20%)
 - Tamil Nadu - 8.06 lakh hectares (15%)
- The top 5 states have already achieved a micro-irrigation coverage of 38 to 70% but states like Madhya Pradesh, Bihar, West Bengal, etc. which have lower coverage (less than 10%) have not shown much enthusiasm.
- Of the total area of 53.73 lakh hectares:
 - Drip - 28.23 lakh hectares
 - Sprinkler - 25.5 lakh hectares

8. Modified agri infra fund to help mandis upgrade (FE 9/7/21)

- Govt has approved projects worth ₹ 4300 Cr under AIF.
- Cabinet has approved modifications to the [Agriculture Infrastructure Fund \(AIF\)](#) guidelines.
- This will expand the list of beneficiaries including APMCs to avail credit up to ₹ 2 Cr from the fund and set up cold storage, sorting, grading and assaying units.
- Under the scheme:
 - The period of financial facility has been extended from 4 to 6 years up to 2025-26.
 - The overall period of the scheme has been extended from 10 to 13 years i.e. up to 2032-33.

- The APMC mandis have been allowed to set up infrastructure facilities even outside the market yard as there is no additional space within the yards.
- The eligibility to avail of the loans under AIF has been extended to cover -
 - State agencies/APMCs
 - National and state federations of FPOs
 - Federations of SHGs
- The Minister for Agriculture has been allowed to make necessary changes in the future without seeking approvals from the cabinet.
- Currently, interest subvention for loans up to ₹ 2 Cr by one organisation or farmer in only one location is eligible. Now in case, the entity puts up projects in different locations then all such projects will be eligible for the subvention (in the case of private sector entity it will be limited to 25 projects).

9. Retailers and wholesalers get MSME tag (TH 3/7/21)

- Govt has announced that retail and wholesale trade will be included under the MSMEs.
- As a result, these will get the benefit of access to credit under PSL.
- The revised guidelines will benefit 2.5 Cr retail and wholesale traders.

10. RBI moves to Uniform Price Auction (UPA) for some govt securities (ET 3/7/21)

- RBI has decided to move to UPA for some benchmark govt bonds to avoid volatility and wide market prices of these securities.
- It is also said to have signalled to the bond traders that they need to stick close to market prices.
- The bonds covered under this will have tenures of 2 years, 3 years, 5 years, 10 years, 14 years (will also cover the Floating Rate Bonds - FRBs).
- For other sovereign bonds with a maturity of 30 and 40 years, the multiple price based auction will continue as it was done earlier.
- The central banker seems to be upset with some participants in the market whose bids are not in sync with the secondary market levels.
- In UPA, all successful bidders will be allotted papers at cut off price level (above which no bid is entertained irrespective of the rate quoted by them). This will prompt many participants to bid aggressively.

11. Amazon offers IP protection for local businesses (BS 5/7/21)

- Amazon has launched the Intellectual Property (IP) accelerator programme in India. It is already available in the US, Europe and Canada.
 - It was launched in 2019 in the US.
 - Since then, it has been expanded to many countries.
 - It was launched on a pilot basis in 2020.
 - The sellers in India will not have to pay to access IP accelerator firm listing on the SPN (Service Provider Network) and can choose to engage with these directly and independently for the services of their choice at mutually agreed to terms.
- The sellers (brand owners including the SMEs) access services from trusted IP experts and law firms.
- These businesses may choose to engage with these to secure trademarks, protect their brands and tackle infringement.
- Over 8.5 lakh sellers are registered on Amazon India.
- Generally, to get a trademark registration with Intellectual Property India, Trade Marks Registry may take up to 18 to 24 months and is a time-consuming process. Businesses may find it time-consuming and complex.
- Amazon also helps these businesses through brand registry, transparency and project zero, which uses machine learning to weed out counterfeits from the marketplace.

12. Skilling policy to be reviewed (ET5/7/21)

- Govt may revamp its umbrella framework for skilling in India.
 - This is likely to happen after it has reviewed its National Policy for Skill Development and Entrepreneurship which was launched in 2015.
 - The objective is to create a skilled workforce that will cater to the sectors which are covered under the [PLI scheme](#) as under this, investments will be made by various companies
 - The Skill Development Ministry will set up a committee of experts to consider the evaluation study report of the 2015 policy.
 - In addition to this, a national-level institution with expertise in skilling will be appointed to undertake the impact assessment and recommend changes to the existing policy or form a new policy if required.
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