

Economy This Week (18th Dec to 24th Dec 2021)

TABLE OF CONTENTS

1. [SEBI bans derivative trading in 7 agri commodities \(TH 23/12/21\)](#)
2. [CCI suspends future deal \(FE 18/12/21\)](#)
3. [Five years on, regional connectivity plan struggles to take off \(LM 20/12/21\)](#)
4. [Developing efficient logistics ecosystem \(BL 20/12/21\)](#)
5. [One nation one ration card hold promise \(BL 23/12/21\)](#)
6. [100% invoice matching mandatory \(BL 24/12/21\)](#)
7. [OECD releases Pillar - II model rules for implementing new system \(BL 21/12/21\)](#)
8. [Centre not likely to go for any off-budget borrowing this year \(BS 24/12/21\)](#)

1. SEBI bans derivative trading in 7 agri commodities (TH 23/12/21)

- The ban to access futures may lead to volatility as the traders will not be having access to tools which are crucial to planning decisions, they will be cutting stocks, delay long term purchases and sales and also limit the imports
- As these tools are unavailable, market may remain clueless regarding shortage and excesses and this may fuel more of the volatility
- The food processors who procure from the farmers will also be hit as they would be deprived of advance sales through futures contracts
- SEBI has asked the stock exchanges to suspend the trading of the commodity derivative in commodities such as paddy, wheat, Chana, mustard, seeds and its derivatives, soya bean and its derivatives, crude palm and oil and moong for a year
 - Until further orders no new contracts can be introduced
 - No new positions will be allowed in existing contracts
 - Only squaring up of the position is allowed
- Derivative contracts are contracts between two or more parties where the derivative value is based on the underlying asset
- The derivatives can be traded on exchange or over the counter (OTC)
- The trading of such derivatives takes place when the traders speculate the future prices of the assets either by selling or buying of these contracts
- The traders also use these derivatives for hedging any long position, the ultimate objective is to however to make the profits, which is viewed as a deterrent to bring the price discipline
- With this the importers will not be importing commodities such as edible oils in short term as traders will not have a platform to hedge, which will lead to release of the commodities which have been blocked and lead to cooling of prices

2. CCI suspends future deal (FE 18/12/21)

- Competition Commission of India (CCI) has suspended its approval to the e-commerce company Amazon to acquire 49% in the Future Coupons (FCPL)
- The regulator has also imposed a penalty of ₹ 202 Cr penalty on Amazon
- Both the companies have been involved in this legal battle for over a year now

3. Five years on, regional connectivity plan struggles to take off (LM 20/12/21)

- It's been five years since the launch of the Regional Connectivity Scheme (RCS), but it has been struggling to take off
- As of December 14, out of 948 awarded routes only 403 are operational (around 40% of the allocated), have connected 65 airports, 8 heliports and 2 water aerodromes
- The airlines are shying away from using these routes because of lack of infrastructure, low demand, lack of manpower and capital
- Govt has stated that some of the routes have been discontinued and there are also delays in operationalisation and it is due to non-readiness of civil airports on account of unavailability of land and infrastructure, unsuitability of operations on certain routes, adverse impact of the pandemic on passenger demand
- Govt has so far released about ₹ 2062.5 Cr out of the ₹ 4500 Cr earmarked for reviving existing underserved or unserved airports
 - Though the govt provides subsidy on these routes, it is not sufficient for cost of operating these routes and also the fact that the fares on such routes are capped impacts the feasibility of the operations
- AAI is the implementing authority and has held four rounds of auctions so far since the launch in October 2016

4. Developing efficient logistics ecosystem (BL 20/12/21)

- The growth in developing countries can be propelled by the exports in addition to creating jobs. However the growth in exports requires efficient logistics, integration of domestic firms in global value chains
- World Bank publishes Logistics Performance Index (LPI) – a composite index – analysing how efficiently the supply chains in an economy connects firms to international opportunities
 - In 2018 India was ranked at 44th position out of 160 countries
 - LPI allows countries to identify opportunities and challenges in trade logistics and take steps
- Ministry of Commerce has also prepared LEADS (Logistics Ease Across Different States) 2021 to analyse business environment in all the states under parameters such as infrastructure, policy and regulatory regime for improving the efficiency of logistics

5. One nation one ration card hold promise (BL 23/12/21)

- Govt has introduced the reform in the PDS namely the One Nation One Ration Card (ONORC) – allows the nationwide portability of ration cards under the National Food Security Act (NFSA)
 - Govt has launched 'Mera Ration' app in various languages
- This new reform shows application of growing digitisation used to serve people in lower income strata
- Under the scheme

- Different beneficiaries of the same ration card can receive the ration from different states/cities and also intra-city
- Issues
 - Server connectivity issues especially when inter-state servers are involved
 - Around 90% of the ration cards are Aadhaar linked but only 37% are mobile linked
 - The applicability of the scheme is limited in north-east because of the limited digital linkages
 - Staggered and irregular supply of the ration can lead to unnecessary delays and repeated visits of the beneficiaries (may cause losses in daily wages)

6. 100% invoice matching mandatory (BL 24/12/21)

- The finance ministry has notified 1st January 2022 as the date for making the invoice matching mandatory under GST i.e. from 1st January 100% invoice matching will be compulsory
- This means that the taxpayer will be getting the input tax credit (ITC) only to the extent of invoices matched
- Until now the rules allowed the assesses to take 10% additional ITC without supporting invoices (this was later reduced to 5%). With the new notification even the 5% will not be allowed

7. OECD releases Pillar – II model rules for implementing new system (BL 21/12/21)

- Organization for Economic Cooperation and Development (OECD) has published detailed rules to assist in implementation of the new international tax system
 - The term ‘Permanent establishment’ has been defined
 - Has added more compliance for the MNEs in terms of GloBE information
- The new system has been developed to ensure that the Multinational Enterprises (MNEs) will be subject to a minimum 15% tax rate from 2023
- India is one of the signatory to the new system
- These rules are drafted as model rules which will be used as a template using which the jurisdictions (other countries) can formulate their own laws
- The rules define the scope and set out the mechanism for the Global Anti-Base Erosion (GloBE) Rules under Pillar II
- The rules will be applicable to the MNEs earning an annual revenue over 750 mn euros and estimated to generate an additional tax revenue of \$150 bn

8. Centre not likely to go for any off-budget borrowing this year (BS 24/12/21)

- The FM has said that the extra budgetary resources (EBR) funding for the FCI would be discontinued
- The govt had made EBR provisions of ₹ 30000 Cr for 2021-22 (was ₹ 1.26 tn in 2020-21)
- This EBR allocation of ₹ 30000 has remained unutilised so far and as a result of this the off budget financing can be negligible or even be zero
- EBR is when expenditures are allotted for the schemes run by the government but not financed from the centre’s revenues or borrowings
 - Instead the state owned institutions raise these funds from NSSF or bonds that are guaranteed by the centre

- The EBR is not counted as a part of the centre's expenditure and do not reflect the fiscal deficit
- The practice of EBR started in 2016-17 and until last year large sums were kept outside the fiscal deficit calculations
- In budget of 2019-20 centre started practice of disclosing the EBR

