

Daily Economic News Summary: 17 March 2017

1. GST council clears last two bills, caps cess on demerit goods

Source: Live Mint ([Link](#))

The goods and services tax (GST) council on Thursday gave its nod to the two remaining pieces of supporting legislation for implementing the landmark tax reform, paving the way for their introduction in Parliament and state legislatures. The council's approval for the state GST and Union territory GST bills marks an important step in India's long journey towards creating a unified market, and is critical to meeting the deadline of 1 July for GST implementation. The GST council also agreed to cap the cess on various so-called demerit (or sin and luxury) goods in the legislation. The cess on colas and cars has been capped at 15%, which means that the total tax incidence on sweetened drinks and cars cannot be more than 43% (tax rate of 28%+cess of 15%). In the case of cigarettes and chewing tobacco, the cess levied could be either 290% or Rs4,170 per thousand sticks or a combination of both. To be sure, these cess rates are an enabling provision and the actual tax incidence could be lower, depending on the decision of the GST council. Interestingly, the council has decided to bring in an enabling provision for levy of cess on all cars and not only on luxury cars. This means that the council, at a later date, could decide to levy a cess over and above the 28% tax rate on non-luxury cars as well.

2. Food, drink MNCs plan to fightback as India looks to tighten rules

Source: Live Mint ([Link](#))

Several food and drink multinationals and trade groups met in recent weeks to discuss how to lobby more effectively against Indian proposals for higher taxes and stricter labelling rules on fatty or sugary foods, sources familiar with the talks said. According to officials, Prime Minister Narendra Modi's administration has begun to look closely at policy proposals under discussion since at least 2015, raising concerns over the possible impact on the \$57 billion sector. Alarmed by rising rates of obesity and diabetes, India plans to frame draft rules within a month requiring manufacturers to display the fat, sugar and salt content of products on packaging. It is also considering a nationwide "fat tax" for so-called "junk foods", a senior government official said,

although that is unlikely to be rolled out in the near term. Last month, executives from companies including PepsiCo , Nestle and Indian consumer firm ITC met trade groups in New Delhi to coordinate efforts and urge the government to resist pressure from health advocates, according to an industry source aware of the meeting.

3. Income Tax dept has failed to unearth black money despite information: CAG

Source: Business Standard ([Link](#))

The Income Tax Department (ITD) failed to unearth black money generated by several Maharashtra based firms despite getting clues on suspects who raised only bogus bills resulting in tax evasion of over Rs 10,640 crore, according to official auditor CAG. Around 2,059 dealers issued invoices involving tax evasion of more than Rs 10,640 crore including maximum VAT of 12.5 per cent in Maharashtra, CAG said in its report presented in Parliament last week. In 2008-09, Maharashtra Sales Tax Department (MSTD) in a disclosure to Bombay High Court informed about its probe on 1,555 hawala operators involving 39,488 beneficiary dealers who had passed on input tax credit of Rs 1,333 crore in the previous three fiscals. They used to claim and obtain input tax credit against declaration of fake tax invoices without actual transactions. The MSTD started putting out names of entities involved in such practises on its website from November 2011. Examining records of 2009-10 to 2013-14, the Comptroller and Auditor General of India (CAG) said 35 cases had PANs in the bogus purchases list of MSTD.

4. Delhi: Air train to soon link terminals at IGI airport

Source: Business Standard ([Link](#))

The GMR Group-led Delhi International Airport Ltd (DIAL) has proposed an air train connecting all the terminals of the Indira Gandhi International Airport (IGIA) here, the Lok Sabha was informed on Thursday. "The Master Plan - 2016 contains a provision for Automated People Mover (APM) for connecting all the terminals of the airport. Total length of the proposed APM alignment is 5.5 km, out of which 1.5 km is underground, while 4.0 km portion is elevated," Minister of State for Civil Aviation Jayant Sinha told the House. "The master plan recommends this facility to be available by year 2020," he said.

5. Paytm is globetrotting, enters Canada with an app for bill payments

Source: Business Standard ([Link](#))

Becoming one of the few Indian start-ups to make a global entry, online mobile wallet major Paytm said on Thursday that it had launched a bill payments service in Canada. It said users there would be able to pay for their cell phone, cable, internet, electricity and water bills via a Paytm Canada app. Other features would be added in course of time. Users will also be able to pay for their insurance and property taxes by using the app. It is available on both Android and iOS in Canada, the company said. "We are confident that Canada will be a very successful market for us," said Harinder Takhar, chief executive at Paytm Labs. The company had set up a base in Canada in 2014, which it uses for research and development work. Paytm has expanded its operations significantly in Canada over these two years, from a two-person operation to a team of data scientists and engineers building technologies for a fast growing mobile payments and commerce eco-system.

6. Training pilot in Delhi: Airbus to set up flight stimulator at IGI airport

Source: Business Standard ([Link](#))

Aerospace giant Airbus will set up its India headquarters and the country's first full flight simulator to address the growing demand of trained pilots and aircraft maintenance engineers, Delhi International Airport Ltd (DIAL) announced on Thursday. The GMR Group-led DIAL said in a statement that it has signed a land licence agreement with Airbus for a period till March 31, 2036 for the purpose. "Delhi International Airport (P) Ltd, a GMR led consortium, announced that it has signed a land license agreement with Airbus for setting up India's first full flight simulator at the Aerocity - Terminal District of Indira Gandhi International (IGI) Airport," the statement said. "On the 1.11 acre of land, Airbus will also establish its India Headquarters within the same development," the statement added.