Daily Economic News Summary: 6 February 2017

1. Indian industry needs to walk the talk on investment, says govt
Source: Live Mint (Link)

Is the government running out of patience with Indian industry? First finance minister Arun Jaitley, and then other Union ministers, have over the days following the presentation of the 2017-18 budget had one thing to say: Indian industry needs to step up to the plate. Participating in a breakfast meeting with a group of CEOs hosted by *Open* magazine on the morning after the presentation of the budget, Jaitley put it rather bluntly: "The government has done everything under the sun," he said, before adding, "Foreigners are investing, state governments are investing, the Union government is investing. It is now time for the Indian private sector too to start investing." The finance minister did qualify his remarks, saying he could understand that firms were overstretched, but things were improving and it was only time before demand started picking up. In terms of the macroeconomic outlook, while the government has been able to stay on the course of fiscal consolidation, inflation has decelerated sharply, interest rates are softening and the rural sector is slowly rebounding, though the external sector continues to be a cause of worry.

2. From April, take more than Rs 3 lakh in cash, pay equal amount in penalty
Source: Business Standard (Link)

In a bid to check generation of black money, a steep penalty awaits those accepting cash in excess of Rs 3 lakh, beginning April 1, to settle any transaction. A ban on cash transaction of more than Rs 3 lakh has been proposed in the Budget for 2017-18. In an interview to PTI, Revenue Secretary Hasmukh Adhia said the penalty for doing cash transaction will be steep and the receiver will have to pay an amount equivalent to the cash received. "Supposing you do a transaction of Rs 4 lakh in cash, then the penalty would be Rs 4 lakh. If you do a transaction of Rs 50 lakh, penalty would be Rs 50 lakh," he said, adding that the penalty will be levied on the receiver. So, if someone buys an expensive watch for cash, it is the shopkeeper who will have to pay the tax, he said, adding that the provision is to deter people from doing large cash transactions. Demonetisation brought to account the stock of black money and now the government wants to stop future generation of the same. The government, he said, will track all large cash transactions, and also curb the avenues of conspicuous consumption through cash.

3. Ignored in Budget, exporters hope for sops in foreign trade policy review
Source: The Hindu: Business Line (Link)

Exporters, who were largely ignored in the Budget, can hope for some incentives and thrust in the mid-term foreign trade policy (FTP) review in September with the Commerce Ministry ready to begin consultations. "The Commerce Ministry will kick-off consultations with various export bodies and councils from February 9 to examine their list of demand and re-assess growth potential," a government official told *BusinessLine*. While the Economic Survey for 2016-17 circulated on the eve of the Union Budget made a case for more support for exporters, especially from labour-intensive sectors such as apparels, leather and footwear, the Budget had no specific sops. "Exporters had made a number of demands such as creation of an export development fund, extension of interest equalisation scheme for merchant exporters and exemption for service tax to be resolved in the Budget. The FTP review is another window for exporters to have their demands examined and met," the official said. The FTP review would also address issues that might creep up for exporters after the Goods & Services Tax is implemented.

4. Indian MNCs under MAT set for higher tax outgo
Source: Business Standard (Link)

The Union Budget has introduced a provision that intends to restrict the minimum alternate tax (MAT) credit available on foreign tax credits (FTC), which could increase the overall tax outgo for Indian companies having overseas operations, especially those paying sizeable dividends. The Budget has introduced an amendment in the minimum alternate tax (MAT) provisions (applicable to companies) and alternate minimum tax (AMT) provisions (applicable to non-corporates) for rationalising the quantum of MAT and AMT credits which can be carried forward by the relevant Indian taxpayer, if he has claimed foreign tax credits against its MAT/AMT liability in a particular year. Under the current MAT/AMT credit mechanism, a taxpayer can carry forward the entire MAT/AMT liability for offset against future taxes, without adjusting any such excess FTC availed. A typical example of this would be foreign dividends where the normal effective tax rate is 17.3 per cent, whereas the effective MAT rate could be 21.34 per cent.

"Profitable operations of Indian MNCs overseas will be impacted," said Deepa Dalal, partner, transaction tax, EY India. As the effective tax would increase, more such companies would prefer to park their money abroad till the time they come out of MAT, rather than bring it back home, Dalal said.

5. India's mobile gaming market to cross $400 mn by 2022: Report
Source: Business Standard (Link)

The country's mobile gaming market is poised to top $400 million by 2022, driven by growing adoption of freemium and virtual reality games in the coming years, a report has said. Freemium is a business model where basic services are provided free of charge but one has to pay for using the more advanced features. According to the CII-TechSci Research report, revenues from mobile-based gaming stood at $265.8 million last year and is forecast to touch $286.2 million in 2017. The number of mobile gamers in the country is also expected to grow substantially from 198 million in 2015 to 628 million by 2020 and further to 1.16 billion by 2030, it added."Gaming industry in India has witnessed a shift from console gaming to mobile gaming, with growth and improvement of wireless connectivity in the country. Ease of playing mobile games coupled with rising mobile phone subscribers has fuelled the growth of mobile gaming in India over the last few years," it said. The report added that increasing number of mobile internet users, coupled with the development of new and advanced games, has also boosted mobile gaming market in the country.Overall, the Indian gaming industry was valued at $543 million in 2016 and is projected to grow to $801 million by 2022.

6. Meeting Apple's demand to be tough under GST: Hasmukh Adhia
Source: The Economic Times (Link)

India may find it difficult to accept Apple's demand for a 15-year exemption on countervailing duty (CVD) on imported components as the country plans to roll out the goods and services tax (GST) in the coming financial year. "There is no way we can give individual exemptions under GST regime," revenue secretary Hasmukh Adhia told ET. "All of them (CVD exemptions) will go." Whatever the tax on local industry, the same will become IGST or integrated GST that will be levied on inter-state trade, he pointed out. "Make in India will get a big boost," he said. "We have been unfair to local industry. I don't know what exactly is Apple's demand as DIPP (Department of Industrial Policy and Promotion) is dealing with them. But we have limitations on giving exemptions under GST." Prime Minister Narendra Modi, who's been seeking to persuade Apple chief executive officer Tim Cook to set up plants in India, tweeted a media report on Saturday that it would start making iPhones in Bengaluru soon. Meanwhile, people familiar with the matter have said the company is still in talks with the government over concessions regarding local manufacturing. When asked about the final call on IGST exemption, Adhia said the decision would lie with the GST Council.