

Daily Economic News Summary: 10 July 2018

1. Draft GST Amendments Aimed At Easing Compliance Burden

Source: Livemint ([Link](#))

A host of amendments are proposed to the laws governing the goods and services tax (GST), including allowing taxpayers to amend their tax returns in order to rectify errors and widening the scope for availing of input tax credit. These changes are aimed at reducing the compliance burden on taxpayers and improving the ease of doing business. However, in a move that may have a retrospective impact, the amendments propose to clarify that transitional credit cannot be claimed for cesses levied in a pre-GST era. The government aims to bring these amendments in the monsoon session of Parliament beginning 18 July. If passed, they will address concerns expressed by industry, reduce some of the anomalies and plug loopholes to reduce litigation. The proposed changes will also widen the ambit of the composition scheme for small traders. In line with the decision of the GST council, the threshold for availing of the composition scheme has been raised to ₹1.5 crore from ₹1 crore. Besides this, manufacturers and traders supplying services will be able to opt for the scheme if they supply services of value not exceeding 10% of the turnover or ₹5 lakh, whichever is higher. This is expected to benefit small taxpayers. However, denial of transitional credit for cesses will adversely impact industry. The matter is already under litigation with many companies challenging the denial of transitional credit on cesses. It remains to be seen if the government inserts the clarification retrospectively as it is applicable for credit claimed for the period before 1 July 2017-the date of GST implementation.

2. Govt Announces New Model To Finance Infra Projects In Smart Cities

Source: Livemint ([Link](#))

The government on July 9 announced a new Cities Investment To Innovate, Integrate and Sustain (CITIIS) challenge to identify top projects in 15 of the 100 selected smart cities, which will then receive an additional funding of approximately ₹80 crore each. The new funding will be financed by a €100 million loan from the French government's international development agency L'Agence Française de Développement (AFD). The cities would be encouraged to pitch projects in four particular sectors: sustainable mobility, public open spaces, urban governance & ICT, and social

innovation in low-income settlements. “Before the smart cities mission, cities used to get central government money as an entitlement,” housing and urban affairs secretary Durga Shankar Mishra said at a press conference. However, that will no longer be the case, he said. “This will be a new kind of funding and cities will have to participate in a challenge to be eligible. It will also create a competitive atmosphere among smart cities,” Mishra said. There has been some criticism of the slow pace of implementation of the Smart Cities Mission, but urban affairs minister Hardeep S. Puri defended the scheme and said cities have taken time to set up special purpose vehicles and hire project management consultants.

3. South Korea To Lift India Ties On Par With China, US, Japan

Source: Livemint ([Link](#))

South Korean President Moon Jae-in on July 9 said he was committed to raising South Korea’s relations with India to the level of those with China, Japan, Russia and the US, as he sought to expand cooperation in areas such as shipbuilding, aerospace, manufacture of medical devices and food processing. Moon, who was on his first visit to India since being elected president last year, sought an expansion of trade and economic ties with India. He described the opportunities between the two countries as “boundless” in a speech to Indian and South Korean businessmen just hours before inaugurating an expansion of Samsung Electronics’ cellphone manufacturing unit in Uttar Pradesh jointly with Prime Minister Narendra Modi. The Korean company recently announced it was investing \$760 million in the expansion, making the unit the largest in the world, according to Indian government officials. India, the report said, was emerging as a key economic partner for Korea, with its huge market whose importance would only increase as South Korea tried to reduce its reliance in its two biggest trading partners, China and the US. South Korean investments in India amount to \$4.64 billion between 2000-2017 with Kia Motors announcing a \$1.1 billion investment to set up a manufacturing unit in Andhra Pradesh.

4. Samsung’s New Unit Gives A Nice Ring To ‘Make In India’

Source: The Hindu, Business Line ([Link](#))

Korean technology giant Samsung on July 9 inaugurated the world’s largest mobile phone factory at its Noida facility, providing a fillip to the Narendra Modi government’s efforts to promote

manufacturing in the country, and also signalling its intent to take on Chinese counterparts, which have been dominating the Indian market. The facility was jointly inaugurated by Prime Minister Modi and the visiting South Korean President Moon Jae-in, underlining the significance attached to the project. “Today is an important day in making India a global hub for manufacturing. Our push for ‘Make in India’ is not just part of our economic policy, but a commitment for bilateral ties with countries like South Korea,” Modi said. The facility will help Samsung double its current capacity for mobile phones in Noida to 12 crore units a year, in a phase-wise expansion that will be completed by 2020. In June 2017, Samsung had announced an investment of ₹4,915 crore to add capacity at the Noida plant, under the Uttar Pradesh government’s Mega Policy. The plant was set up in 1996. Samsung India also launched its ‘Make for the World’ initiative, whereby it aims to export mobile handsets produced in India, to overseas markets.

5. Environment Ministry Bans Single-Use Plastic Items In Its Office

Source: The Hindu, Business Line ([Link](#))

The Secretary for Ministry of Environment, Forest and Climate Change (MoEF&CC) CK Mishra was taken aback to find several 250-ml plastic mineral water bottles on delegate tables during a meeting. Mishra picked up one bottle and said the use of small plastic bottles should absolutely be curtailed. Leading by example, Mishra has banned the supply of plastic bottles for drinking water at the Indira Paryawaran Bhawan in New Delhi, which houses the MoEF. Not stopping here, he wrote a letter to Secretaries of all Ministries on June 13 appealing to them to beat plastic pollution. Use of single-use plastic continues unabated in public and private sectors. Of the many government offices that the Nirman Bhawan houses, for instance, each office calls for a bulk of single-use plastic bottles for mineral water, not less than a carton of 100 bottles of 250 ml, at a single time. MoEF&CC has launched a pan-India plastic clean-up drive in public areas, national reserves, forests, beaches and rivers, the letter said, as the theme of the World Environment Day, observed on June 5 is ‘Beat Plastic Pollution’. According to the estimates drawn by the Central Pollution Control Board (CPCB), India generates as much as 10,000 tonnes per day of plastic waste with per capita generation of up to 5.7 kilos of plastic waste per annum, which is annually growing at a rate of 8-10 per cent.

6. Highways Construction Sees Tepid Growth

Source: Financial Express ([Link](#))

Construction of highways inched up to touch 26 km per day during the April-June period of the current year from 25 km in the year-ago period. The improved rate, however, is a far cry from road transport and highways minister Nitin Gadkari's target of building these roads at a scorching pace of 45 km per day for the current fiscal. Among them, all agencies responsible for highway construction built 2,345 km of roads in the first three months of the current financial year, compared with 2,260 km in the corresponding period last year, sources in the Ministry of Road Transport and Highways said. While the National Highways Authority of India (NHAI) has achieved the pace of 8.3 km a day from just 1.8 km a day in the corresponding period last year, the ministry's performance has fallen marginally to 17.1 km a day, against the last year's achievement of 17.3 km a day. While the ministry is largely implementing projects via the engineering, procurement and construction (EPC) route where the government bears all project costs, NHAI projects are increasingly being built through the hybrid annuity model (HAM), an improved public-private-partnership model in which the government bears 40% of project costs. On the award front, however, things are yet to pick up. During the first three months of the current financial year, a total of 892 km of projects were awarded, compared with 1,054 km in the corresponding period last year.

7. G20 Nations Impose 39 New Trade-Restrictive Measures In 7 Months, Says WTO

Source: Financial Express ([Link](#))

G20 members including India and the US have applied as many as 39 new trade-restrictive measures such as higher duties and taxes as also stricter customs procedures during seven months to mid-May, a WTO report has said. G20 is a group of developed and developing countries which also includes Australia, Brazil, China, France, UK, EU, Germany, Japan, Korea, Russia, South Africa and Turkey. The trade-restrictive measures in G20 economies have doubled compared to the previous review period, the report said. "This equates to an average of almost six restrictive measures per month, which is significantly higher than the three measures recorded during the previous review period," the World Trade Organisation said. WTO Director General Roberto Azevêdo said the marked increase in such measures among G20 economies should be of "real

concern” to the international community. “Additional trade-restrictive measures have been announced in the weeks since this reporting period and therefore the deterioration in trade relations may be even worse than that recorded here,” he added. He said this continued escalation poses a “serious threat” to the global trade growth.

8. India, South Korea Sign Agreements On Trade And Commerce

Source: The Economic Times ([Link](#))

India and South Korea will reduce duties on 11 tariff lines in a bid to expand bilateral trade by updating their existing free-trade agreement, called the Comprehensive Economic Partnership Agreement (CEPA). “Both countries have agreed to tariff concessions on 11 lines,” said an official in the know of the details. The revised CEPA would be signed on July 9 in the presence of South Korean President Moon Jae-in, who is on a four-day visit to India. The two countries arrived at the final tariff lines after intense negotiations in which South Korea offered to reduce tariffs on 17 lines. In 2017-18, India exported goods worth \$4.4 billion to South Korea while imports from the latter were worth \$16.3 billion. India allowed imports of South Korean pears and had asked Seoul to reduce duties on sesame imports. South Korea imposes quantitative restrictions on sesame imports and levies a whopping 630% duty on Indian sesame, which India wants reduced. South Korea’s main items of export to India include automobile parts, telecommunication equipment, hot-rolled iron products, petroleum refined products, base lubricating oils, nuclear reactors, mechanical appliances, electrical machinery and parts, and iron and steel products.

9. Government May Extend Sops To Make The MICE Space Vibrant

Source: The Economic Times ([Link](#))

The government is working on providing incentives to the MICE (meetings, incentives, conferences and exhibitions) sector, where revenues have been crimped following policy changes like the introduction of the goods and services tax (GST). Besides relaxing visa norms and conducting MICE promotions through roadshows in markets like Europe this year, the tourism ministry has appointed an agency to study the size of the market and revenue generation potential through MICE activities. According to officials, on the advice of corporate bodies, and the India Convention Promotion Bureau (ICPB), the ministry may look at easing regulations for MICE

businesses, besides inviting greater participation from private entities and state governments. Mansharamani said developments such as the GST have impacted the MICE sector in India, though the country improved its position in the global MICE rankings released by International Congress and Convention Association (ICCA) to 31 in 2017 from 35 in 2014. The upcoming Delhi Pragati Maidan convention centre and RIL-backed Mumbai BKC Convention Centre, expected to be launched this year, should also provide a boost, he said.

10. NITI Aayog Wants States To Adopt Zero-Budget Natural Farming

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

NITI Aayog vice-chairman Rajiv Kumar on July 9 made a case for promoting zero-budget natural farming (ZBNF) in states, saying it would help double farmers' income by 2022. Aayog member Ramesh Chand, who is an expert in agriculture, said that such methods could be scaled up nationally only after they have been scientifically proven to be correct and there is proper manual for these. Under ZBNF, neither fertiliser nor pesticide is used and only 10 per cent of water is to be utilised for irrigation as compared to traditional farming techniques. Rajiv Kumar said that states can promote ZBNF under the two farm sector schemes – Paramparagat Krishi Vikas Yojana and Rashtriya Krishi Vikas Yojana. “Around five million farmers are working on zero-budget farming in different states,” he said, adding that not only does it have potential for India but it can also be put to global use. The NITI Aayog vice-chairman was addressing a press conference after meeting principal secretaries (agriculture) of states, representatives from agriculture universities, institutes, farmers and practitioners. Speaking on the occasion, minister of state for agriculture and farmers welfare Gajendra Singh Shekhawat said, “We are seeing side-effects of chemicals and fertilisers used in crops.”