

## Daily Economic News Summary: 24 December 2018

### 1. Govt May Continue GST Compensations Till 2025

Source: Livemint ([Link](#))

The Union government plans to create a backstop facility for states to receive compensation for three additional years to implement the nationwide goods and services tax (GST) after the expiry of the first five years as mandated by the Constitution. This is aimed at ensuring that states grappling with a revenue shortfall after the implementation of the GST regime do not face a sudden fiscal shock when the five-year transition period ends in 2022. The backstop facility would help continue compensation through an annual transfer of the centre's tax revenue to the states, for which the 15th Finance Commission would prepare a blueprint, two officials said. The recommendation will help states get the GST compensation till 2025, when this finance commission's term ends.

### 2. GST Council: With Rate Cut For 23 Items, 28% Slab 'Moving To Sunset'

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

The Goods and Services Tax Council on 22 December cut the tax rates on 23 commonly used items, including TV screens, movie tickets and power banks, but deferred a tax cut on cement owing to its huge revenue implication. The move was in line with the policy of reducing the tax rates to boost compliance and consumption and giving a leg-up to industries hamstrung by high input costs. The rate cuts would be effective from January 1, 2019. The revenue impact of the latest rate cuts, the fifth round of rate rationalisation undertaken by the council since the GST's July 2017 launch, is estimated to be Rs 5,500 crore a year. It is not immediately clear whether and how much of the relief would be passed on to the consumers by the manufacturers, but analysts said given a slowdown in consumption, many of the items that saw tax cuts could become cheaper.

### 3. Indo-US Trade: Trump Administration Wants India To Cut Tariffs On ICT Imports

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

The US wants India to remove or substantially prune import tariffs on scores of ICT products including high-end mobile phones and smart watches apart from rolling back the price curbs on medical equipment like stents. The demands that India thinks are difficult to accommodate, along

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with a host of other vexed issues, have cast a shadow over a trade package that both the countries have been negotiating on for months now without much success, sources told FE. The US is seeking to use its so-called generalised system of preference (GSP) regime under which it allows imports of select products from a host of poor or developing countries, including India, at concessional duties as a leverage to ask New Delhi to heed its demands, said the sources.

### **4. Incentivise, Not Tax, Angel Investors: Amitabh Kant**

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

The government needs to incentivise angel investors eyeing startups and not tax them to give a boost to Prime Minister Narendra Modi's flagship Startup India initiative, Niti Aayog CEO Amitabh Kant has said. "We need to incentivise domestic funding in our startup movement, not tax them. This is necessary as we do not tax venture capital (VC) funds," Kant told ET even as many startups and angel investors have been served notice by the income tax department, demanding tax on investments. The notices demanding what is known as 'angel tax' were served under Section 56(2) (viib) of the Income Tax Act, which was introduced by the previous UPA government in 2012 to fight money laundering.

### **5. Aadhaar: Twists And Turns In The Biometric Tale**

**Source: Livemint ([Link](#))**

Aadhaar, India's extraordinary attempt to give every citizen a biometric identity, is set for a massive revamp with new offline verification tools and non-intrusive ways for people seeking to voluntarily use the 12-digit unique number for new bank accounts and mobile connections. After twists and turns in 2018, led by the landmark Supreme Court ruling on the constitutional validity of Aadhaar, the UIDAI's efforts around offline modes like eAadhaar and QR code that can leverage the unique ID without any access to biometrics or even revealing the 12-digit number would gather pace in 2019. The proposed amendments, which will be placed before the Parliament during the ongoing Winter session, propose to arm UIDAI with regulator-like powers to take enforcement actions on the misuse of the national biometric ID and impose stiff penalties on violations.

**6. Govt Committee To Decide If Vistara Should Get Foreign Flying Permit**

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

The government has formed an interministerial committee of three Cabinet-ranked ministers to decide if an international flying permit should be given to Vistara. This is the first time such a panel has been formed for granting an international flying permit to an airline. According to the Aircraft Rules, 1937, the aviation regulator Directorate General of Civil Aviation (DGCA) has the final authority to grant a permit for international operations. Multiple government officials, speaking anonymously, said such an unprecedented decision to form a ministerial-level committee was driven by fears of witch hunt by investigating agencies.