Daily Economic News Summary: 3 February 2020

1. No intention to tax global income of NRIs in India, says FM Sitharaman
Source: Business Standard (Link)

Finance Minister Nirmala Sitharaman on 2 February said that there is no intention to tax global income of NRIs and only income generated in India will be taxed. Following the Budget announcement on 1 February there was confusion about the tax liability of Non-Resident Indians (NRIs) on their global income. "What we are doing now is that the income of an NRI generated in India will be taxed here. If he's earning something in a jurisdiction where there is no tax, why will I include that into mine that has been generated there. "Whereas if you have a property here and you have a rent out of it, but because you are living there, you carry this rent into your income there and pay no tax there, pay no tax here ... since the property is in India, I have got a sovereign right to tax," she said in a post Budget interaction with media.

2. Strict provisions across Customs rules to tighten the screws on imports
Source: Business Standard (Link)

Apart from raising import duties on hundreds of goods, the government has also added tougher provisions to all Customs rules in order to tighten the screws on imports further. A string of measures includes specific provisions in rules governing anti-dumping, safeguards, and basic Customs duties. A case in point, when importing from countries which have already been slapped with anti-dumping duties: an importer may fall foul of the rules if the imported product in an unassembled form is less than 35 per cent of the value addition, compared to its manufacturing cost. The latest rules also stipulate that for calculation of value addition, expenses on account of procurement of technology, such as patent, copyright, trademark, royalty, technical know-how, etc, shall not be included in the value of the parts brought in.

3. FM Nirmala Sitharaman's Budget goal: Lower rates, simple structure
Source: Business Standard (Link)

Finance Minister Nirmala Sitharaman on 2 February said the new tax regime proposed in her second Budget would ultimately lead to lower rates with simple structure. Dismissing criticism that the new regime would not be largely beneficial to the assessees, she said, “eventually this should lead to a system where people are taxed at the lowest possible rate and are given a simple system. I am starting a scheme, which will eventually end there. For this, I'm not forcing people." She was speaking to the media in an informal interaction a day after presenting the Union Budget in Parliament. The FM disagreed with experts who termed the new tax regime complex and unavailing. She said the new scheme would benefit some taxpayers falling in certain brackets, if not all. Industry experts, however, argued that two tax regimes with optionality for personal tax, as in case of corporate taxes, only make the structure more complicated. Analysts sent out data to explain how the new tax regime would not be beneficial for those who take exemptions.

4. Govt hikes allocation for Fund of Funds, Make in India prog in FY21 Budget
Source: Money Control (Link)

The government has increased significantly the allocation for Fund of Funds to Rs 1,054.97 crore as well as for the Make in India kitty in the Budget 2020-21. The government has set up a Fund of Funds for Startups (FFS) with a corpus of Rs 10,000 crore. Small Industries Development Bank of India (SIDBI) is the operating agency for the FFS. The allocation for the fund of funds in the revised estimate in 2019-20 was Rs 431.30 crore. It has marginally reduced the allocation for Startup India programme in the Budget. According to the budget documents, the allocation for Startup India programme has been cut to Rs 50 crore for 2020-21 from the revised estimate of Rs 57.84 crore in 2019-20. Startup India initiative aims at fostering entrepreneurship and promoting innovation by creating an ecosystem that is conducive to growth of budding entrepreneurs.

5. Coronavirus: India suspends issuing e-visas to Chinese passport holders
Source: Livemint (Link)

India on 2 February announced that it has suspended issuing electronic-visas, or e-visas, to Chinese passport holders and applicants of other nationalities residing in the world's most populous country. The announcement comes in the wake of the coronavirus outbreak in China that has claimed more than 300 lives so far. "Due to certain current developments, travel to India on e-visas stands temporarily suspended with immediate effect. This applies to holders of Chinese passports and applicants of other nationalities residing in the People's Republic of China," the embassy of India in Beijing said on the micro-blogging and social networking website Twitter. The Indian embassy has invalidated the already issued e-visas."All those who have a compelling reason to visit India may contact the embassy of India in Beijing or the Indian consulates in Shanghai or Guangzhou, and the Indian Visa Application Centres in these cities," it tweeted.

6. Explaining Budget proposals: Headed for lower tax and no exemptions, says FM
Source: The Economic Times (Link)

Finance minister Nirmala Sitharaman said the idea behind the new regime unveiled in her budget is to “eventually move towards lower tax and remove exemptions.” At a media briefing on 2 February, she said, “We have made cuts for the middle class, lower middle class… The idea is to eventually move towards tax rates (that are) significantly lower than prevalent today; a regime simpler to comply (with); and (to) remove exemptions.” Sitharaman defended the new regime, saying it will definitely benefit taxpayers in certain brackets, if not all. “Because income cuts are deeper in the new scheme, we believe a taxpayer from a particular income bracket will be much better off coming into the new system,” she said. “And the new system, however much I repeatedly say has no exemptions, (does have) some exemptions we have allowed.”

7. Tighter origin norms for FTA benefits, high onus on importer
Source: The Economic Times (Link)

Importers claiming preferential rates of duty under any trade agreement will now have to declare that the goods qualify as originating goods and must possess sufficient information about their origin criteria, and regional value content. The government has inserted a new chapter in the Customs Act on administration of rules of origin under trade agreements giving the government the power to suspend and refuse the preferential tariff treatment in case of incomplete information or verification and noncompliance. It also states that a submission of a certificate of origin “shall not absolve the importer of the responsibility to exercise reasonable care”.

8. New tariff codes created for fans, solar cells & TV panels to check China
Source: The Economic Times (Link)

India has created new tariff codes for wall fans, panels of TV sets and solar cells in a move to track and check their imports, most of which are from China. The government has amended the Customs Tariff Act to create new tariff item (called HS code in trade parlance) for ‘wall fans’, ‘open cell of television set’ and each for ‘solar cells not assembled’ and ‘solar cells assembled in modules or made up into panels’. As per the existing classification, the import of these products was $3.6 billion in April-November 2019, of which more than 60% came from China. India had imposed a safeguard duty on imports of solar cells from China and Malaysia in 2018 to protect domestic players from a steep rise in inbound shipments of the product.

9. Indian budget will attract more FDI, say US industry leaders
Source: The Hindustan Times (Link)

The 2020-21 Budget presented by Finance Minister Nirmala Sitharaman will improve the ease of doing business in India and attract more foreign direct investment, US industry leaders have said. Presenting her second budget in Parliament on 1 February, Sitharaman offered tax breaks to foreign investors and specifically those like sovereign wealth funds who are willing to place a long-term bet on the economy. She said the Budget was aimed at boosting incomes and enhancing purchasing power, stressing that the economy's fundamentals were strong and inflation was well contained. "Despite a slowdown in growth, the global outlook for investment in India remains strong and therefore the budget was a great opportunity to convert the global sentiment into action," said Mukesh Aghi, president of US-India Strategic and Partnership Forum (USISPF).